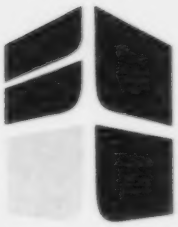

British Columbia Buildings Corporation

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Message from the Chair

This Annual Report is a companion document to our 2004-2007 Service Plan, which set out BCBC's direction and financial projection and which defined the resources needed to deliver on our commitments. BCBC is committed to providing transparent and accountable reporting of its progress against the goals and targets established in the Service Plan.

Much has been accomplished during 2004/05. The transformation of BCBC from its role as landlord and service provider to that of strategic advisor and supply manager of real property and accommodation service delivery continued and the Corporation is now well positioned to complete this shift in the upcoming year.

Our Successes

This past year marked the culmination of a concerted effort that began in 2002/03, when BCBC set out to meet the challenging requirements established in the 2001/02 Core Services Review. BCBC has met or surpassed each of the objectives:

1. BCBC led the Government Accommodation Restructuring Initiative (GARI), a complex undertaking that was delivered on time and $13 million under budget. Government space occupancy was reduced by more than 3 million square feet, resulting in annual cost savings of $63 million.
2. BCBC disposed of more than 300 properties between April 1, 2002 and March 31, 2005, generating proceeds of $238 million and gains of $84 million. These sales contributed to the Corporation's ability to reduce its net debt by $351 million over the three-year period.
3. BCBC completed the first year of its outsourcing service agreement with BLJC Workplace Solutions Inc. (WSI), a British Columbia subsidiary of Brookfield LePage Johnson Controls. This major initiative has already saved more than $10 million per year in operating costs for customers and is forecast to achieve more than $100 million in savings over 10 years. BCBC's use of private sector service providers grew to 92% of total corporate expenditures in 2004/05.
4. BCBC continued to strengthen its shared services model by: offering increased choice to mandated customers; organizational restructuring to segregate governance and service delivery functions; implementing formalized operational service level agreements with major customers; and, refining costing and pricing of services. The reorganization and the outsourcing initiative resulted in a 58% reduction in the workforce (from 756 in 2002/03 to 318 in 2004/05). Administrative costs have been cut by 28%, which is approximately $11 million per year. All of this has been accomplished without labour disputes, service failures, and with improved customer satisfaction results: 73% of customers indicated that they were "satisfied" or "very satisfied" with BCBC's overall performance during the year and 46% indicated that service has improved over the past year.
5. BCBC has increased its provision of real estate services and advice to the health and education sectors. In particular, strategic advisory services were provided to four Health Authorities (Vancouver Coastal, Fraser, Interior, and Northern) and two educational entities.

To shift to a culture focused on performance, this past year BCBC implemented a performance management and compensation system, which strengthens alignment of individual employee goals and targets with corporate goals. Performance is then evaluated against achievement of these goals and compensation is linked to the results.

Message from the Chair

Our Challenges

Following the major outsourcing contract, which took effect April 1, 2004, a major transformation of BCBC's infrastructure was started. However, this initiative lost momentum in November 2004 when a significant amount of the Corporation's resources were redirected to another core services review that the Corporation had anticipated would occur in 2005/06 instead of 2004/05. This second core services review was completed in April 2005; no decisions regarding the recommendations made in the report had been communicated at the time of filing this annual report.

Forward Thinking

The Board remains fully committed to providing the strategic direction and leadership needed to implement an aggressive plan to complete BCBC's successful re-invention. The Corporation is currently developing an action plan to implement the majority of the recommendations in the core services review for presentation to the Minister responsible for BCBC.

Customer feedback and the evaluation of BCBC, conducted as part of the 2004/05 Core Services Review, will contribute to the process. Over the next few months BCBC will proceed with: evaluating the current pricing policy and billing processes with the goal of simplification; evaluating further outsourcing opportunities; creating a senior Customer Advisory Panel; reducing management layers; and, refining business processes and the information technology infrastructure to further reduce operating costs and improve customer service.

In Closing

This year's accomplishments were achieved by long hours and dedication from the skilled employees of BCBC under the leadership of John Beales and his executive team. I thank them for their hard work and unwavering commitment. I also thank the Board members for their counsel and dedication to public service.

On behalf of the entire board of directors, I extend our sincere appreciation to the Honourable Joyce Murray, our Minister responsible, for her support over the past year.

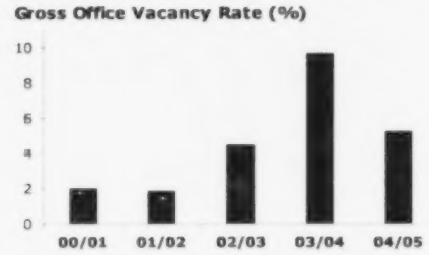
This 2004/05 BCBC Annual Service Plan Report was prepared under my direction in accordance with the Budget Transparency and Accountability Act. I am accountable for the contents of the report, including the selection of performance measures and how the results have been reported. To the best of my knowledge, the information presented reflects the actual performances of BCBC for the twelve months ended March 31, 2005. All significant decisions, events and identified risks, as of March 31, 2005, have been considered in preparing this report.

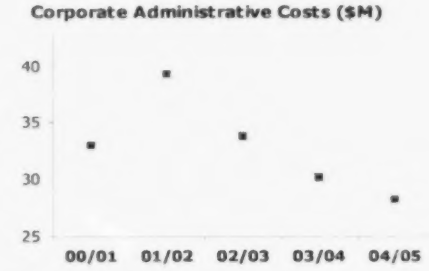
The information presented is prepared in accordance with the BC Reporting Principles (see Appendix) and represents a comprehensive picture of our actual performance in relation to our 2004-2007 Service Plan.

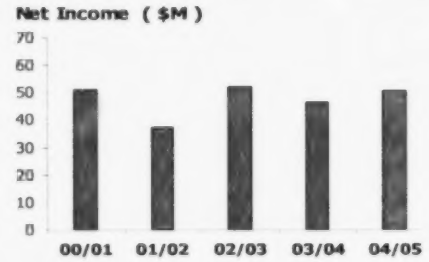
Lucie Gosselin
Chair
Board of Directors

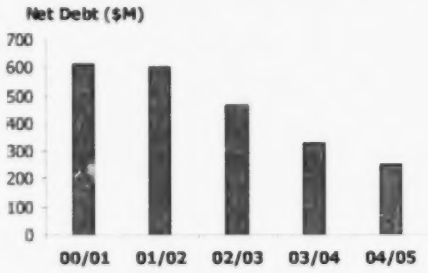
Financial and Operational Highlights

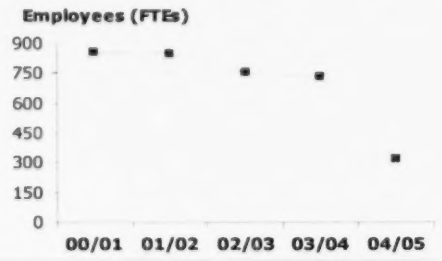
- Overall customer satisfaction increased to 73%, and 46% of customers surveyed indicated they felt service had improved over the last year.
- Successful implementation of year one of the property management services contract with Brookfield LePage Johnson Controls Workspace Solutions Inc. (BLJC WSI), including achieving greater than targeted cost savings for government.
- Private sector expenditures increased from 86% to 92% of total corporate expenditures, reflecting the impact of outsourcing property management services and other supply management strategies.
- Substantially reduced the high office vacancy rate created by government restructuring.
- Continuing cost efficiencies resulting in reductions in corporate administrative costs (8% below budget and 28% below 2001/02).
- Net income of $50.6 million 17% better than budget, reflecting increased operating revenues, reduced internal overhead costs, and significant gains (of $31.1 million) from property sales.
- Net debt declined to $251 million (relative to $328 million at March 31/04) as result of application of funds realized through property sales and operations.
- Workforce reduced from 732 employees (at March 31/04) to 318, including the transfer of 325 employees to BLJC WSI.











Strategic Foundation

Vision

Our vision describes a compelling future state that we believe is both ambitious and attainable.

British Columbia Buildings Corporation will be vital to its customers' success and to the Shareholder by being their preferred strategic advisor and service provider of real estate and accommodation infrastructure solutions.

Mission

Our mission describes our business purpose: who we are and whom we serve; the business we are in; the value we bring to customers; and how we do this.

As the shared services provider to public sector organizations for real estate and accommodation infrastructure solutions, BCBC provides its customers choice and earns their business. Specifically, BCBC:

- Provides strategic advisory services;
- Facilitates the implementation of flexible, affordable and healthy workplace solutions; and,
- Provides innovative stewardship of its assets and resources.

BCBC will accomplish this mission by utilizing its expertise in real estate and accommodation planning; its distinctive knowledge of its customers, their programs, government and public policy processes; and, by collaborating with private and public sector business partners.

Values

These values represent our corporate and individual behaviors and define how we will treat our customers, suppliers and each other.

DEDICATION TO OUR CUSTOMERS

- We work to know our customers and treat them as partners.
- We are flexible, innovative and proactive.
- We make and keep our commitments – we get the job done!

INTEGRITY

- We treat all individuals with fairness, dignity and respect.
- We are open and honest.

TEAMWORK

- We support one another to achieve corporate goals.
- We support and develop our people to achieve our corporate and individual potential.

ACCOUNTABILITY

- We work with our customers to bring value to our shareholder and the taxpayer.
- We measure and monitor our performance to established targets.
- We are socially and environmentally responsible in our business operations.

Mandate

The British Columbia Buildings Corporation (BCBC) was established in 1977 as a Crown corporation and agent of the government. BCBC was the provincial government's first shared services organization, providing accommodation and real estate services, initially only to the provincial government. In 1997 BCBC's shared services mandate was expanded by government to enable service provision to the broader public sector, in order to provide increased accountability and efficiencies in the planning, provision and maintenance of accommodation and related services.

BCBC's mandate is confirmed, as established, under Section 4 (1) of the *British Columbia Buildings Corporation Act*, and amended under Section 2 of the *Miscellaneous Statutes Amendment Act (No.2), 1997* to be as follows:

"The purpose of the Corporation is to serve as an agency of the government in providing land and buildings for accommodation of ministries of government, public bodies and agents, corporate or otherwise, of the government by lease or licence or any other arrangement for the use and occupation of the accommodation."

This mandate includes the following responsibilities:

- to provide cost-effective real estate and accommodation services to the public sector (a shared service provider function);
- to contribute to its customers' success by having a thorough understanding of its customers' needs and identifying related best value accommodation solutions; and,
- to fulfill an obligation to the shareholder to provide innovative stewardship of real property infrastructure.

Organizational Structure

BCBC is structured similarly to a private sector enterprise and uses private sector management and accounting methods. The Corporation ensures accountability by charging rents and professional service fees according to market principles and ensures that underlying policies are market-based. This application of market discipline promotes efficient and effective utilization of provincial assets.

BCBC is organized into two operational business units:

(1) Customer Services Group, which manages the planning and delivery of real estate and accommodation infrastructure services and provides integrated "end-to-end" customer relationship and services management functions; and,

(2) Portfolio Management Group, which performs asset stewardship functions on behalf of the shareholder, with internal support provided by President's Group and Corporate Services Group. At March 31, 2005, BCBC's total workforce was 318 FTEs.

Core Services

BCBC is both a professional services and a supply management organization. The services provided by BCBC are grouped into the following four service categories:

1. ***Strategic Advisory Services***
   - Portfolio planning (includes capital planning, financing/procurement strategies, functional facility/inventory assessments and value engineering)
   - Asset planning and asset management
   - Accommodation planning
   - Real estate policy and performance measurement
   - Strategic technical and environmental advisory services
   - Strategic initiatives management
2. ***Workplace and Real Estate Solutions Services***
   - Workplace planning and design
   - Workplace acquisition and disposal (includes provision of existing space, leasing services, acquisitions/disposals, development/re-development, P3 agreement negotiation/documentation, workplace decommissioning)
   - Workplace provisioning (includes design/implementation, construction/ tenant improvements, full workplace provisioning, move/manage/ monitor/startup)
3. ***Workplace Management Services***
   - Property management and maintenance
   - Lease administration
   - Asset management
4. ***Tenancy Services***
   - Insurance/taxes administration
   - Inventory records
   - Parking

BCBC's Services Catalogue provides descriptions for each service provided by BCBC (available at www.bcbc.bc.ca/Corporate).

With the exception of advisory services that are provided primarily by in-house professionals, most of the services that BCBC provides are delivered through contracts with private sector suppliers/consultants. BCBC has had a long history of successful management of its supplier contracts. Sound business principles and practices are followed in soliciting, negotiating and documenting all contractual agreements and all contracts are structured to state clearly and completely the performance and payment obligations of each party. Detailed corporate purchasing procedures set out contract content, process and approval requirements. The Corporation has a commitment to fair and open tendering for contracted services, with bid documents accessible to all suppliers from the BCBC internet site.
www.bcbc.bc.ca/Doing_Business_With_Us/Bid_Documents

Corporate Overview

BCBC has also been establishing a database of qualified consultant firms (accessible at www.bcbc.bc.ca/Doing_Business_With_Us/Consultant_Registration).

In the past BCBC managed 5,000 – 6,000 contracts at any one time, the majority relating to the provision of property management services and minor projects (<$50,000). Management responsibility for these latter contracts now resides with BCBC's outsource provider, BLJC Workplace Solutions Inc. (WSI), and effective April 1, 2004 more than 3,100 assignable contacts were transferred to WSI management (contracts for re-occurring/standing services, as opposed to one-time service contracts).

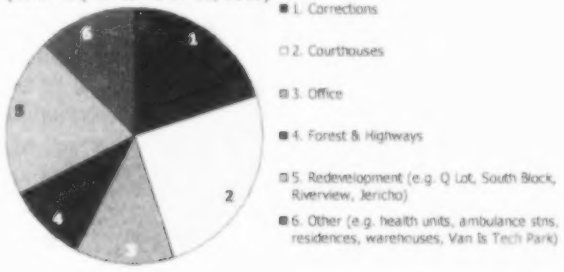
The service contract between BCBC and WSI is a five-year performance-based contract. The contract specifies that a portion of the management fee is at risk, with payment dependent upon WSI's performance against a set of key performance indicators (some of which are reported monthly, some quarterly and others annually). A governance structure and protocols have been put in place to ensure that issues are resolved expeditiously and that the relationship between the parties remains strong. WSI / BCBC Joint Operating Committee meetings occur monthly and WSI/BCBC Executive Steering Committee meetings are held quarterly. Service (projects and operations) related business processes and decision logs are documented and are posted/maintained on both WSI and BCBC portals and/or web sites.

Supply management of corporately managed contracts/suppliers is performed mainly by the Customer Services Group, which performs the role of owners' agent, or knowledgeable buyer on behalf of its customers (through analysis and management of customer demand requirements, contract preparation and management, as well as monitoring supplier performance against contract deliverables). In addition the Purchasing department of the Corporate Services Group provides governance/policy oversight, as well as transactional support relating to materials purchasing and bid processing.

Scope of Operations

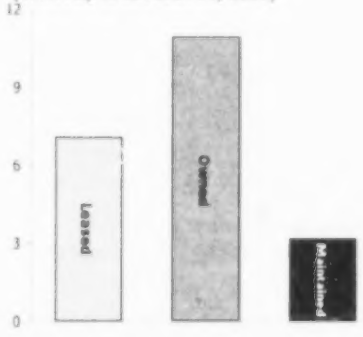
The Corporation manages, on behalf of the Province, a diverse real estate portfolio of leased, owned and maintained properties that extends throughout the province. This portfolio includes more than 21.1 million square feet (2.1 million square metres) of space. It includes a wide variety of types of properties/facilities, ranging from the Vancouver Law Courts and Robson Square Complex to heritage buildings dating from the 1860s, and includes office buildings, residential institutions, courthouses, correctional centres and other types of special purpose facilities.

Owned Assets - by Use/Type
(10.9M sq. ft. at March 31, 2005)



The ratio of leased to owned properties in BCBC's total managed portfolio is 39:61. Office buildings make up a relatively small portion of the owned portfolio. The ratio of leased office to owned office space in the portfolio is 83:17.

Leased, Owned and Maintained
(21.1M sq. ft. at March 31, 2005)



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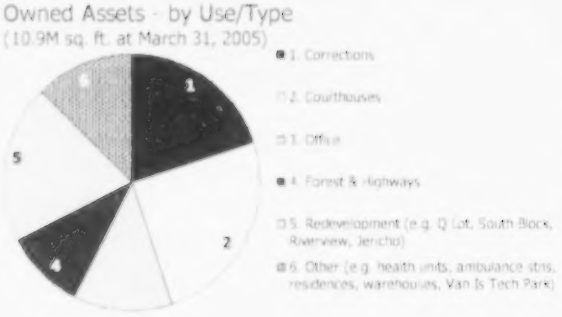
Owned Assets - by Use/Type
(10.9M sq. ft. at March 31, 2005)
1
2
4
5
1. Corrections
2. Courthouses
3. Office
4. Forest & Highways
5. Redevelopment (e.g. Q Lot, South Block, Riverview, Jericho)
6. Other (e.g. health units, ambulance stns, residences, warehouses, Van Is Tech Park)

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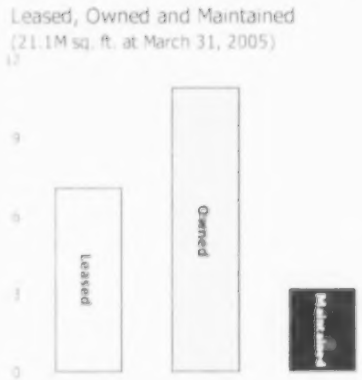


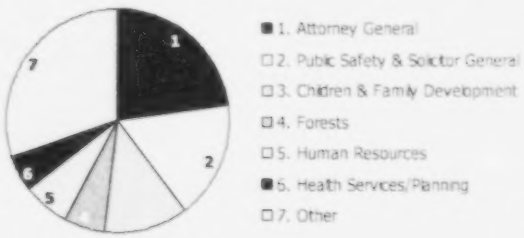
Corporate Overview

BCBC's Customers

Approximately 74% of BCBC revenues come from services provided to provincial government ministry customers. The remaining 26% of revenues come from services provided to the broader public sector and other customers.

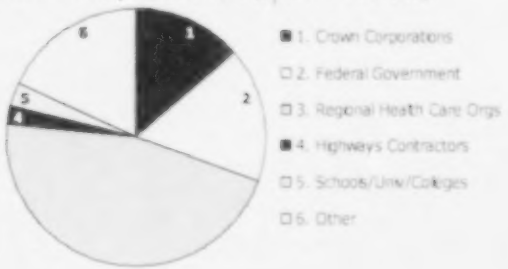
Ministry customers are provided the full range of real estate and accommodation services, with terms/standards specified in the Accommodation Agreement and individual service level agreements. The largest ministry customers are the ministries of Attorney General, Public Safety & Solicitor General, Children & Family Development, Human Resources, Forests, Health Services and Health Planning, Management Services & Solutions BC, and Transportation.

Ministry Customers ($298.2M in 2004/05)



For non-ministry customers, services provided range from the full range of accommodation services to specific services as set out in agreements or memoranda of understanding (MOUs) for a specified term. The largest non-ministry customers are regional health care organizations (health authorities, BC Mental Health Society, Forensic Psychiatric Services, BC Centre for Disease Control), Crown corporations (Royal BC Museum, BC Pension Corporation, BC Investment Management Corporation), federal government (Public Works & Government Services Canada, Royal Canadian Mounted Police, Department of National Defence), schools/ universities & colleges, and highways contractors.

Non-Ministry Customers ($107M in 2004/05)



Office Locations

BCBC's services are provided to its customers from its Head Office in Victoria, as well as through regional centres and field offices. BCBC's regional offices have been restructured, reflecting the transfer of property management staff and property management service delivery responsibilities to BLJC WSI. In addition to BCBC's three regional centres in Victoria, Vancouver and Kelowna, there are field offices in Nanaimo, Kamloops and Prince George. BLJC WSI has established a head office in Victoria, regional offices in Vancouver, Victoria and Prince George, and an Operations Centre in Kamloops to service BCBC and its other Western Canadian clients.

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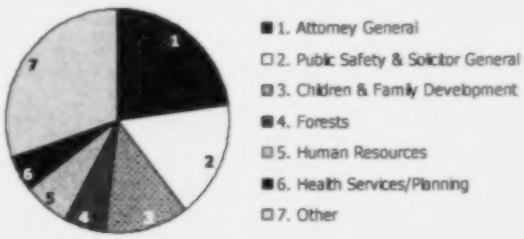

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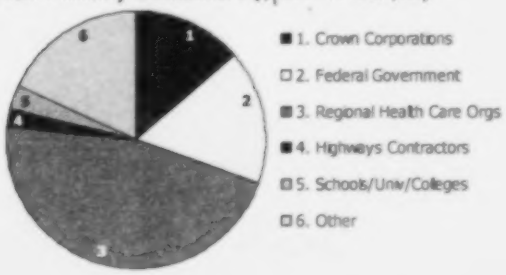

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BCBC focused its efforts in 2004/05 on:

- Meeting /exceeding deliverables assigned to the Corporation from its 2001/02 Core Services Review;
- Successfully managing the transition of property management functions to its outsource provider, BLJC Workplace Solutions Inc. (WSI); and,
- Implementing a new customer service structure and process to strengthen the Corporation's shared services model and continually improve service delivery to customers.

Beginning in November 2004, the Corporation was engaged in a second mandate review.

The transformation of BCBC from its role as landlord and service provider to that of strategic advisor and supply manager of real property and accommodation service delivery continued, and the Corporation is now focused on completing this shift in the upcoming year.

BCBC's goal is to harness the dynamism, efficiency and flexibility of the private sector to lead to greater public good. BCBC has taken significant steps to increase the delivery of public sector accommodation and real estate services through the private sector. In 2004/05, 92% of BCBC's expenditures were with private sector suppliers and contractors. Years of experience in contract management has prepared the Corporation to effectively hold suppliers accountable for their performance, providing added value to the shareholder and to customers.

BCBC produces public value and differentiates itself from other organizations through: its distinctive knowledge, its ability to act as owner's agent/service integrator, and vigilance in driving to cost minimization.

Distinctive Knowledge

BCBC accomplishes its mission by utilizing its expertise in real estate and accommodation planning, its knowledge of customers, their programs, government and public policy processes. Complementary to BCBC's ability to provide excellent services is its knowledge of the supplier community and its ability to collaborate with private and public sector partners.

BCBC recognizes the importance of nurturing centres of excellence in its core business areas (managing the provision of real estate and accommodation services, and portfolio stewardship) so that it can be an effective and knowledgeable broker on behalf of its customers and its shareholder in the delivery of contemporary services.

To better understand customers' needs and the demand side of business, BCBC has:

a) Restructured so that account executives could develop strategic relationships with their counterparts.

b) Created customer segment teams to gain intimate and strategic knowledge of customers sharing similar business and service needs. These changes have enabled BCBC teams to better anticipate customer needs and formulate segment-wide solutions to complex issues. In the recent survey, 81% of customers indicated that BCBC "took the time to understand their needs and requirements."

c) Consolidated portfolio management functions to form a centre of excellence in policy and standards development. Stewardship provided by this group enables the optimal utilization of our portfolio and that of our customers.

BCBC's work with ministries and a number of key government agencies has allowed the Corporation to develop an in-depth understanding of many complex inputs and strategic real estate and accommodation needs; to assess the strengths

and weaknesses of the application of alternative solutions; and, to identify opportunities to maximize synergies among customers and across the portfolio.

Taxpayers are better served when a more collaborative service delivery and facilities planning process is utilized.

The Corporation has been developing new competencies so that managers skilled in negotiation, contract management and risk analysis will tackle problems innovatively and focus on results.

Recent examples, where the Corporation has been able to leverage new competencies and knowledge, include:

- As a result of the insights gained through its complex and highly successful outsourcing of its property management services, BCBC has given several presentations on best practices in outsourcing.
- Over one hundred BCBC employees have taken training in Leadership in Energy and Environmental Design (LEED®) and 31 have received LEED® certification. BCBC has been a national leader in Green Buildings and has facilitated its adoption in the public sector. A number of projects have incorporated High Performance Green Building principles including: the BC Ambulance Service Victoria Head Office, Ministry of Human Resources' Nanaimo consolidation (LEED® -Silver); Whistler Library (LEED® -Gold); and, the Maple Ridge care facility (LEED® -Silver).

Service Integration

BCBC has brought together its knowledge of both supply considerations (relating to engaging and managing supply sources) and demand considerations (relating to customer and facilities-specific needs and requirements) to become effective service integrator.

BCBC implemented a new internal supply management framework with the objective of integrating its customer services and supply management functions into one seamless process. The goal of this integration is to select the highest value service providers in order to achieve both cost savings and high customer satisfaction.

BCBC has focused on strengthening its role of procurement integrator for customers. The Corporation provides objective advice and expertise that engages, coordinates and manages private sector consultants and contractors to ensure the delivery of projects that are often complex and infrequent for individual public sector customers. BCBC ensures that procurement processes are transparent, meet established standards, are in the public interest, and ensure accountability and fair opportunity for all private sector service providers.

In its service integrator role, BCBC is participating in the development of a Community-Based Facilities Planning approach in support of the provincial government's Service Delivery Initiative. The Corporation is assisting in identifying synergies across multiple government organizations operating in a given community and in proposing real estate and accommodation infrastructure solutions to optimize service delivery opportunities and resource efficiencies.

An example that illustrates BCBC's ability to design a solution that optimizes value for the customer by virtue of having access to BCBC's whole portfolio is a project now underway for the Ministry of Children and Family Development to renovate the former Burnaby Correctional Centre for Women so that the Burnaby Youth Custody and Forensic Services program can be relocated there. This solution provides a more functional facility in a short time frame, requires substantially less capital than a new building, and represents the lowest ongoing operating cost available. This facility conversion also maximizes value to government by retaining the institutional value of the asset.

This year, several customers (i.e., Vancouver Coastal Health Authority- Tertiary Mental Health project; Fraser Health Authority- Asset leveraging; Interior Health Authority- strategic portfolio planning; City of Victoria- dockside project) have acknowledged BCBC's owner's agent/project integrator role as contributing to the success of their complex projects.

Cost Minimization

BCBC has streamlined and reduced the costs of its operations. As government's shared service provider of real estate and accommodation services, BCBC has managed to deliver its services "at or below" market cost. This contributes to a reduction in the overall cost of government's operations and supports the effective and efficient delivery of its customers' programs. BCBC has achieved economies of scale by aggregating both demand and contracted supply.

In this first year of providing property management services through WSI, its outsource services partner, BCBC achieved significant cost reductions, exceeding the 4% savings target. BCBC led the Government Accommodation Restructuring Initiative, which resulted in reduced space occupancy by government ministries of over three million square feet and annual cost savings to government of more than $63 million. Government program managers continue to look to BCBC's portfolio/accommodation solutions (the management of relocation, consolidation and renovation) to support their program delivery needs and to achieve further cost savings.

The Corporation continues to conduct benchmarking studies to compare its service costs with those of other providers. The Leasing study completed in 2004, for example, indicated that BCBC rates were below market overall, and BCBC outperformed the market in providing both lease renewals and new leases.

BCBC is now a much smaller and more efficient organization than in the past, and plans are underway for further streamlining. Over the past three years, there have been reductions in the workforce (58%), administrative costs (28%), headquarter space occupied (5% in 04/05 and 17% more planned for 05/06), and corporate debt (by $351 million). BCBC's new financial model implemented in 2004/05 ensures that accountability for both revenue and expenses is at the business unit level. Profitability data by business unit, by service line, and by customer, enables BCBC to make better business decisions with respect to efficient use of staff and other resources, as well as inform the evaluation of competitive alternate delivery methods. Streamlined business processes and practices, (e.g., lease negotiation and property disposals) enabled the Corporation to be more nimble and efficient in carrying out its business. Further process re-engineering, originally planned for 2004/05, will be implemented in 2005/06 and is expected to generate even more efficiencies and cost savings. BCBC also plans to review the pricing policy to identify opportunities for efficiency gains.

Introduction

This section describes progress made by BCBC in 2004/05 towards achieving the strategic goals as defined in its 2004-07 Service Plan:

Goal 1: Customer Success

Goal 2: Increase Value to the Shareholder

Goal 3: Organizational Transformation

Goal 4: Enhanced Service Culture

BCBC uses the Balanced Scorecard approach in developing its plan to ensure a balance of goals and objectives across four perspectives (customer, shareholder, internal processes and learning, people and technology) and to translate goals, objectives and strategies into tangible measures and targets to drive action.

BCBC's 2004-07 Service Plan (accessible at www.bcbc.bc.ca/corporate) provides an explanation of the relationship between the corporate goals, objectives, strategies and measures/targets, including the cause and effect linkages between goals.

An annual Environmental Scan (ESCAN) of BCBC's internal and external operating environment is carried out covering corporate governance/ shareholder expectations, socio-economic and economic conditions, industry (real estate/leasing) conditions, changing customer expectations, supply management, asset stewardship, and internal resource capacity. The results of this assessment are provided in the Planning Context section of the Service Plan (see pages 7-9).

Strategies are developed to address the risks/issues identified by the ESCAN. BCBC's Shareholder's Letter of Expectations, which sets out government's performance expectations for the Corporation, also informs the selection of objectives, strategies and measures/targets and ensures alignment with government priorities.

BCBC's goals and objectives support the BC Government's 2004/05 to 2007/08 Strategic Plan and, in particular, they align with government's priorities relating to fiscal and environmental accountability, improving the efficiency and effectiveness of public sector service delivery and partnering with the private sector.

Alignment with Provincial Government Strategic Plan 2005/06 - 2007/8

Provincial Goal: A strong and vibrant provincial economy

BCBC alignment:

- provides cost effective accommodation services to public sector
- works in partnership with private sector in delivery of services
- provides effective, efficient management of public real estate assets

Provincial Goal: A supportive social fabric

BCBC alignment:

- supports ministries in implementing government programs/priorities
- provides accommodation support to broader health, education sectors

Provincial Goal: Safe, healthy communities and a sustainable environment

BCBC alignment:

- supports government's strategies relating to drinking water protection, contaminated sites, greenhouse gases and climate change through its Environmental Stewardship Plan
- plays a key role in delivery of action items relating to provincially funded buildings in the BC Climate Change and Energy Plans

BCBC has instituted a rigorous process to ensure its reporting is credible, reliable and relevant. Its performance management system includes clear assignment of measure/strategy responsibilities and corporate oversight at the Performance Measurement Committee, Executive and Board levels. It provides quality assurance with respect to the measures, methodologies and targets; monitors quarterly progress towards objectives; and, informs decision-making so that early corrective action can be taken. ***Note:*** BCBC's 2004-07 Methodology Report (available at www.bcbc.bc.ca/corporate) provides an overview of BCBC's performance management system and detailed descriptions for each measure (including purpose, methodology employed, target rationale, data and benchmarking sources).

Overview

Overall, 2004/05 was another year of solid performance, with significant progress against strategic goals and objectives. Key initiatives supporting the Corporation's business strategies were completed on schedule and budget and over two-thirds of corporate performance measures either met or exceeded target. In particular:

- A variety of initiatives relating to strengthening BCBC's shared services model were successfully implemented.
- Customer Survey results indicate that customer satisfaction has significantly increased over 2003/04.
- For the third successive year, financial results significantly exceeded targets, in part as a result of another record year for property disposals and the achievement of internal cost efficiencies.
- Significant work was undertaken to strengthen our relationship with regional health organizations and school districts, and the impact on fee revenues is beginning to be felt.
- Year one of the property management outsourcing contract with BLJC Workplace Solutions Inc. (WSI) was successfully completed. The transition of property management functions to WSI took place as planned, with transition issues being addressed as they occurred.

However, three years of continuing corporate change and downsizing is having an effect on employee morale.

BCBC's second Core Services Review conducted over a five month period in 2004/05 affected the following strategies/measures:

- *Review of core business processes, systems and practices:* A decision was taken to proceed first with a number of interim process improvements, which could be quickly implemented, and the longer-term business process re-engineering was postponed to 2005/06.
- *Office lease costs:* The independent leasing benchmark study was deferred.

The **Performance Scorecard** on the next page provides a rating of 2004/05 results for each of the performance measures and supporting strategies included in the 2004-07 Service Plan. It is followed by a discussion, by goal, of results. This includes information on key initiatives in support of the strategies and a variance analysis of measure results relative to 2004/05 targets, including baseline, trend and benchmark (internal and external) information, wherever possible. Information is also provided on plans to address any performance gaps.

The following four measures are not included in the 2005-08 Service Plan, and will no longer be tracked corporately:

- *Percentage of customers with Operational Service Level Agreements:* The target (OSLAs in place with 100% of ministry and other significant customers) was substantially met, with 39 of 41 OSLAs signed; the remainder will be completed in 2005/06.
- *Building Occupancy Charges (BOC) savings:* This measure relates to savings achieved through the two-year Government Accommodation Restructuring Initiative (GARI), which has now been completed. GARI savings (of $63.3 million/yr) exceeded the target (of $60 million/yr, relative to 2001/02).
- *Innovation rating:* Work is underway to develop outcome-based measures(s) to track performance in providing innovative/cost effective solutions. An innovation-related question was included in the past two years' Customer Surveys, with ratings scores of 60% in 2003/04 and 69% in 2004/05.
- *Status of risk management activity (contaminated sites):* This measure tracks sites completing the Pollution Prevention and Remediation program, and is considered substantially complete (87.7% of sites have completed the program, compared to an 86% target). Those sites still under remediation are complex and in some cases remediation has been ongoing for a number of years.

Future performance targets are included for all measures, which continue to be tracked in the new 2005-08 Service Plan.

Performance Scorecard

Goals, Objectives & Measures		Supporting Strategies	
Goal 1: Customer Success			
Objective: Increase customer satisfaction		• Continue to develop the service level agreement framework and collaborate with customers to implement	▶
• Customer satisfaction rating	▶▶		
• % of customers with Operational Service Level Agreements	▶	• Provide the full suite of services identified in the Services Catalogue	▶
Objective: Provide innovative and cost-effective accommodation solutions		• Implement customer engagement strategy to ensure smooth transition to PM outsource provider	▶
• BOC savings from government restructuring	▶		
• Innovation rating	n/a		
Objective: Increase services to health, education & other provincial government sectors		• Provide strategic advisory services to support the health and education sectors	▶
• Fee revenue from services provided	▶	• Retain business with those ministry customers who have choice as a result of their governance restructuring	▶
Goal 2: Increase Value to the Shareholder			
Objective: Achieve targeted financial results		• Continue to implement best-practice portfolio management plans	▶
• Net income	▶▶		
• Net debt	▶	• Accelerate sale of surplus & selected other properties	▶
Objective: Provide effective stewardship of BCBC's portfolio		• Continue to implement Environmental Stewardship Plan	▶
• Office vacancy rate	◀	• Provide strategic advice and support regarding stewardship of broader real property system of province	n/a
• Total proceeds on properties sold	◀		
Objective: Reduce environmental risks and hazards and manage environmental liabilities		• Be prepared to provide advice/support with respect to 2010 Olympics' real estate infrastructure development	▶
• Status of risk management activity (contaminated sites)	▶		
Goal 3: Organizational Transformation			
Objective: Increase & optimize use of private sector		• Successfully implement property management outsourcing	▶
• % of corporate expenditures with private sector	▶		
Objective: Increase efficiency & decrease costs		• Review and improve the core business processes, systems and practices and explore further ASD opportunities	II
• Net customer services & admin costs	▶▶		
• O&M costs for owned office buildings	▶		
• Office lease costs	II	• Complete organizational restructuring and review of governance model	▶
• Energy efficiency	◀		
Objective: Increase effectiveness and efficiency of internal processes		• Implement new financial model, to report revenues and expenses by business unit, service and customer	▶
• % process improvements implemented on schedule	II		
Objective: Outsource provider (WSI) meets key performance indicators (KPIs) for property management		• Develop and implement a comprehensive communications strategy for the shareholder, customers, employees, suppliers	▶
• KPI results	◀		
Goal 4: Enhanced Service Culture			
Objective: Strive to ensure BCBC has an appropriately skilled and diverse workforce		• Continue to develop common understanding of key attributes of desired service culture and implement supporting strategy	▶
• % of employees undertaking training	▶		
• % of employees indicating their understanding of corporate direction	▶		
Objective: Achieve 100% employee participation in the performance and compensation management system		• Undertake human resource management strategies to ensure a successful business transformation	▶
• PCMS participation rate	▶		
Objective: Increase employee satisfaction		• Transition accountability to line management for application of human resource policy and practices	▶
• Employee satisfaction rate	◀		
• Rate of absenteeism	◀		

Rating Legend: ▶▶ Exceeded ▶ Met ◀ Fell short II Scope/schedule modified/delayed

Goal 1: Customer Success *(Provide strategic real estate and accommodation services that facilitate best-value workplace solutions and service delivery. Focus on strategic advisory services to meet customer delivery and program needs.)*

The following key strategies implemented during 2004/05 were designed to further strengthen BCBC's shared services model (as directed in the Shareholder's Letter of Expectations) and to provide for improved customer engagement with respect to service changes being introduced and the transition of property management service delivery to the outsource provider Workplace Solutions Inc. (WSI):

- ***Development of a new customer agreement framework:*** Operational Service Level Agreements (OSLAs) were negotiated and signed with almost all major customers, (39 of 41 customers identified by BCBC and WSI as requiring agreements). These agreements set out property management services to be delivered and related performance expectations. A general review of BCBC's agreement framework was also carried out and a template was created for Master Service Level Agreements (MSLAs), which will be implemented in 2005/06.
- ***Refinement of the Services Catalogue:*** Detailed service descriptions have been developed, including choice options and pricing (based on internal costing and benchmarking information). Further work is underway to implement recommendations relating to pricing and service delivery emanating from analysis undertaken as part of the 2004/05 Core Services Review.
- ***Increased interface with customers to strengthen the customer relationship:*** This has included:

(i) customer involvement in developing the templates and processes used for negotiation of service agreements (OSLAs and MSLAs);
(ii) presentations to customers on the Services Catalogue, including service pricing changes and results of benchmarking studies;
(iii) implementation of a customer engagement strategy relating to the transition of property management services to WSI, including training on the use of the Operations Centre; and one-on-one customer discussions to address specific service and communications issues; and,
(iv) implementation of a corporate action plan to address customer issues/concerns identified in the 2003/04 Customer Satisfaction Survey.

- ***Retention of business:*** Full BCBC services continue to be used by customers who have choice as a result of their governance restructuring (the Ministry of Children and Family Development and the BC Ambulance Service).

Customer Satisfaction

Customer satisfaction provides an indicator of our customers' perception of our value and contribution to their success. It is tracked through three types of surveys: annual customer and tenant surveys carried out by an independent consulting company and monthly WSI Operations Centre caller satisfaction surveys.

The 2004/05 Customer Survey results indicate that customer satisfaction has increased, with 73% of customers indicating that they were satisfied with BCBC's performance over the past year. This is significantly higher than overall satisfaction results in 2003/04 and higher than the Citizen's First benchmark for public sector organizations (at 65%). In addition, 71% of respondents were "satisfied" or "very satisfied" with their last interaction with BCBC, and 46% felt that service had improved over the past year. The composite index score obtained for a group of service-related questions (at 70% of the rating scale) was higher than the index rating obtained from the 2003/04 survey (63%), and higher than target (65%, or 2% points above 2003/04 results).

Note: Future years' targets will be reviewed in light of the higher than targeted 2004/05 Customer Survey results.

Customers continued to feel that BCBC has good people (with ratings of 75% for "competent and professional staff" and 81% for "staff who take time to understand customer requirements".

Results also indicated that the following areas require continued improvement: pricing, communication, responsiveness. The positive Survey results reflect the impact of the new customer interface/relationship model which has been implemented over the past year.

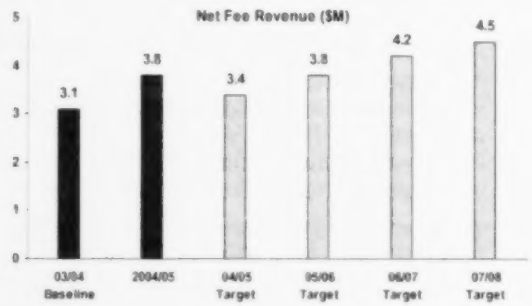
Steps that will be taken to improve service over the next year include further streamlining of our customer interface (fewer layers and clearer accountabilities), implementation of further business process improvements, pricing changes and an increased use of enhanced technology.

The tenant survey assesses tenants' satisfaction with their physical work environment. Overall satisfaction results from the 2004/05 Tenant Survey (60%) met the target of maintaining tenant satisfaction levels during the transition year of property management functions to WSI. Areas requiring improvement were also identified. In addition, monthly survey results on caller satisfaction with the WSI Operations Centre have averaged percentages in the mid-90s (above the target of 90%).

Services to Health & Education

Another key focus during 2004/05 (consistent with Shareholder direction) has been to strengthen BCBC's relationships with the broader provincial public sector, particularly the health and education sectors, through the provision of increased advisory services (with a targeted 10% increase in net fee revenues). Significant progress was made over the past year in building relationships with these sectors. In particular strategic advisory services are now being provided to:

- the Vancouver Coastal Health Authority in support of its mental health reform plan;
- the Fraser Health Authority, for a variety of projects, including its mental health delivery plan, the Ridge Meadows, Fleetwood and Delta Hospital mixed-use health centres, and the Riverview Replacement project;
- the Interior Health Authority relating to portfolio planning/management, including preparation of a Capital Asset Maintenance Plan, property purchases/disposals and leasing services;
- the Northern Health Authority in support of a variety of projects, in particular the Prince George Regional Hospital initiatives;
- School District 72 (Campbell River) relating to redevelopment of a vacant school; and,
- Spectrum Community Services for the provision of real estate/leasing services.



Net fee revenues from services provided to these sectors (at $3.8 million) exceeded the targeted 10% increase over the previous year. Increases in strategic advisory and leasing service fees were partially offset by a decrease in property management administration fees. The full impact of the effort to increase services to these sectors will not be realized until 2005/06.

Goal 2: Increase Value to the Shareholder *(Leverage BCBC's leadership in shared services to improve the efficiency and effectiveness of the public sector by providing innovative stewardship, advice and management for the delivery of real property and accommodation infrastructure services.)*

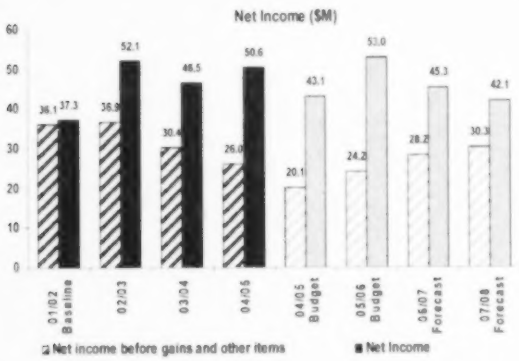
Key strategies implemented during the year in support of achievement of corporate financial and stewardship objectives and the goal of increasing shareholder value included:

- ***Application of best practice portfolio management practices:*** BCBC identified and took advantage of opportunities to lower lease costs for customers and government and maximize effective utilization of the Corporation's real estate assets (through cost efficient and timely negotiation of new leases, lease renewals and lease terminations, as well as negotiation of sales of properties with leases in place).
- ***Strategic asset disposals:*** The Corporation disposed of surplus properties no longer needed to satisfy government customer requirements along with other properties

where a sound business case was made.

- ***Implementation of the Environmental Stewardship Plan:*** This included: (i) the integration of High Performance (Green) Buildings (HPGB) principles, practices/ technologies into BCBC building practices and programs; and (ii) the development of tools and the provision of energy management advisory services to facilitate their adoption in the public sector. In 2004/05 BCBC also made updates to its Environmental Management System (EMS) required to maintain its ISO 14001 Registration, and worked with WSI on development of their EMS which has been recommended for ISO 14001 Registration (expected to be obtained in early 2005/06). In addition, the Climate Change Plan has assigned a lead role to BCBC in conducting energy audits and retrofits of provincial buildings under a renewed energy management initiative.
- ***Preparations for the 2010 Olympics:*** On request, strategic advice was provided to the Resort Municipality of Whistler and to the Vancouver Organizing Committee relating to accommodation plans for the 2010 Olympics.

Financial Performance



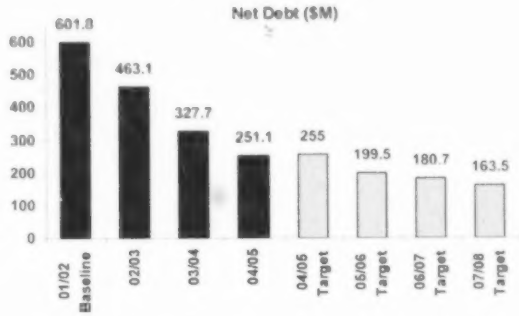
Financial performance in 2004/05 was strong, continuing a three-year trend, with net income (at $50.6 million), exceeding target by $7.5 million or 17%. This reflects increases over budget in both:

(i) operations (by $5.9 million), due to higher than forecast operating revenues and savings in net customer services and administrative costs (from lower staffing levels and other operating efficiencies), and

(ii) gains from property sales (by $4.8 million), reflecting accelerated asset disposals.

This was partially offset by higher corporate restructuring costs due to accelerated workforce adjustments.

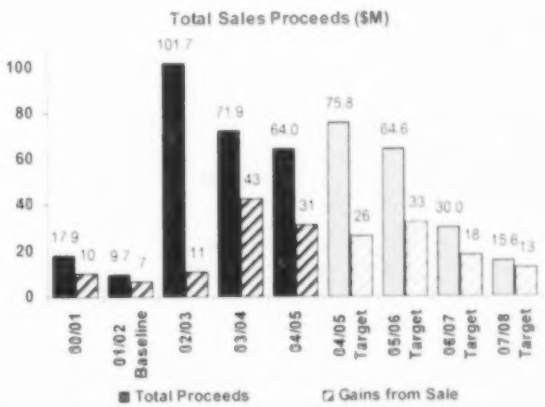
Net debt was reduced for the third consecutive year (to $251 million) through application of funds realized from property sales and operations.



Looking forward, net income is forecast to be higher in 2005/06, due mainly to higher gains from sales then decline slowly with income from operations representing an increasing portion of net income. See ***Management Discussion & Analysis*** section for a fuller analysis of 2004/05 financial performance.

2004/05 Asset Disposals

During 2004/05 sales proceeds totaled $64 million ($11.8 million below target) and gains from sale were $31.1 million ($4.8 million over budget/ target). These results include 127 property sales (14 of which were sales from previous years with $2.7 million in deferred gains). Asset disposal results also include $1.9 million in proceeds ($1.2 million gains) from sundry asset sales (sale of the BCBC vehicle fleet to WSI and sale of other sundry equipment).



Property sales included: 52 highways yards, commercial properties (e.g., 310 Ward St, Nelson, 780 & 810 Blanshard St, Victoria, 650 Borland St, Williams Lake), courthouses, corrections facilities and land sales. Deferral of three major sales to 2005/06 contributed to the shortfall in proceeds relative to target (the Francis Beaton building in Fort St. John, Burnaby ICBC Driver Services Centre and the Kamloops highways yard). The gains on these sales are marginal and were more than offset by gains from other smaller sales, which were advanced into 2004/05. Looking forward, the disposal target for 2005/06 was revised upwards relative to the 2004-07 Service Plan, reflecting the above sales deferrals. Sales levels are forecast to decline thereafter.

2004/05 Office Vacancy Rate

BCBC's gross office vacancy rate (at 5.2%) was significantly lower than at March 31, 2004 (9.6%) and is expected to continue to decline in 2005/06. The rate declined throughout the year, from the historical high post-GARI rate at the start of the year (of 10.3% at the end of the first quarter of 2004/05), as a result of GARI lease expiries and successful corporate portfolio management efforts relating to lease terminations and backfilling of vacated space. BCBC vacancy rates are below market in all major urban centres, and the target (of < ½ market) was also achieved in most major urban centres.

Gross Office Vacancy Rate (at March 31, 2005)	BCBC 2004/05	Market 2004/05	2004/05 Target	05/06 - 07/08 Targets
Lower Mainland:	**3.5%**	**10.9%**	**5.5%**	**1/2 market**
Vancouver	3.9%	9.5%	4.8%	
Surrey	2.7%	15.4%	7.7%	
Burnaby	4.6%	12.7%	6.4%	
Coquitlam	6.2%	10.0%	5.0%	
Greater Victoria:	**4.6%**	**7.9%**	**4.0%**	**1% < market**
Victoria	5.1%	6.6%	3.3%	
Saanich	1.7%	10.3%	5.2%	
Rest of Province:				**n/a**
Chilliwack	8.7%	15.0%	7.5%	
Prince George	5.7%	15.0%	7.5%	
Kamloops	1.1%	5 - 15%	2.5 - 7.5%	
Kelowna	2.4%	8 - 10%	4 - 5%	

Sources: Colliers, Carmichael Wilson and other available market sources.
Note: 2004/05 target was to be < ½ market.

Goal 3: Organizational Transformation *(Strengthen the Corporation as a shared service provider by shifting from a service delivery focus to a strategic advisory role. Continue to implement best-practice customer service processes and increase the robustness of supply management through increased partnering with the private sector.)*

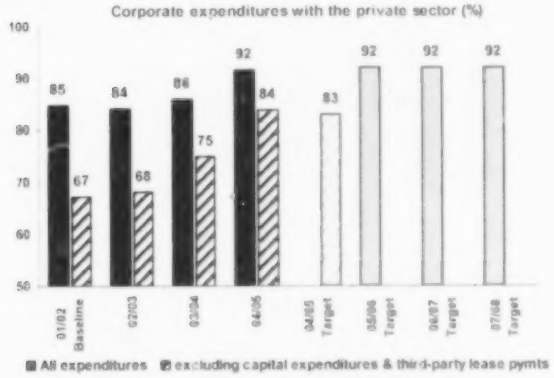
Strategies were implemented in support of objectives relating to achievement of internal efficiencies and optimization of the use of the private sector, including:

- ***Successful transitioning of property management services to Brookfield LePage Johnson Controls Workspace Solutions Inc. (BLJC WSI):*** Monthly WSI/BCBC Joint Operating Committee meetings addressed issues/concerns raised by customers and monitored follow-up actions, during the transition of service delivery to WSI. A number of organizational and process improvements were introduced based on customer feedback, including: changes related to project delivery services, establishment of a web-based application to provide real-time WSI contact information to customers; WSI organizational changes to address workload issues and clarification of responsibilities; as well as Operations Centre improvements.
- ***Implementation of business process improvements:*** A number of interim process improvements were implemented, including improvements to the Client Budget, Customer Relationship Management and Service Request processes. In March a decision was taken to proceed with the re-engineering of BCBC's key business processes, beginning with portfolio management processes.
- ***Completion of organizational restructuring:*** This involved completion of the realignment of functions between the Customer Services and Portfolio Management Groups, begun in 2003/04, as well as workforce adjustments.

- ***Implementation of the new financial model:*** Changes were implemented in the following areas: (i) direct charging for internal support functions, and (ii) the automated profitability reporting system, which reports revenues and expenses by business unit, service and customer.

Use of the Private Sector

Private sector expenditures increased from 86% to 92% of total corporate expenditures. When capital expenditures and third party lease payments (to private sector landlords) are excluded, the percentage of the remaining expenditures accounted for by the private sector was 84% (compared to 75% in 2003/04). This increase mainly reflects the impact of the outsourcing of property management services and other supply management strategies. While the Corporation continues to explore additional supply management strategies, further increases in the percentage of expenditures with the private sector will be a challenge.



2004/05 was the transition year for the property management services outsourcing contract with BCJC WSI. WSI achieved an overall performance rating of 78.9% (or 789 points out of a possible 1000 points). This is a composite rating calculated from WSI's performance against mutually agreed targets and performance ranges established for a group of 28 key performance indicators (KPIs), covering four performance categories (service delivery, financial management, business performance, BCBC business priorities). These results indicate a successful first year of outsourcing these services, although the 85% stretch target was not met.

Results for 75% of the KPIs either fell within the agreed performance range (i.e., met targeted expectations) or exceeded it. There were KPIs from all categories where results exceeded the agreed performance range (11 of the 28 KPIs). In particular, WSI significantly exceeded its operations cost savings target (of 4% cost reduction), as well as Operations Centre targets.

Performance on six KPIs was below the agreed performance range. In the case of three of these KPIs (completion of the Major Asset Maintenance Plan, Environmental Stewardship Plan and ISO Registration) below average performance early in the contract year and/or scheduling delays in commencing activity affected performance.

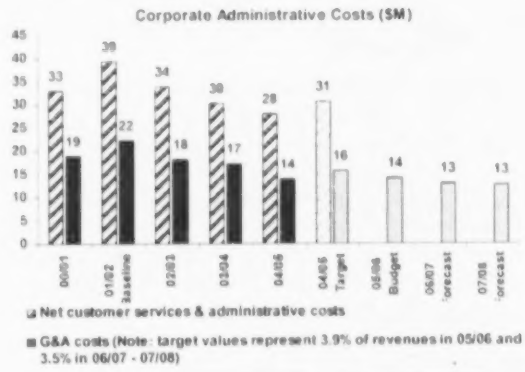
WSI Performance scores (by KPI category)	Points available	2004/05 Actual	2004/05 Target	05/06 - 07/08 Targets
Service Delivery KPIs	450	376	-	-
Financial Management KPIs	250	200	-	-
Business Performance KPIs	170	99	-	-
BCBC Priorities/Other KPIs	130	114	-	-
KPI Scorecard Total	**1000**	**789**	**850**	**850**
Overall Performance Rating	**100%**	**78.9%**	**85%**	**85%**

Internal cost efficiencies

The target of reducing internal overhead costs (i.e., net customer services and administrative costs) by 22% relative to costs in 2001/02 was exceeded with 2004/05 costs (of $28.1 million) that are 28.6% lower than the baseline year and $2.6 million (or 8%) below the 2004/05 budget. The positive performance was due to the following factors:

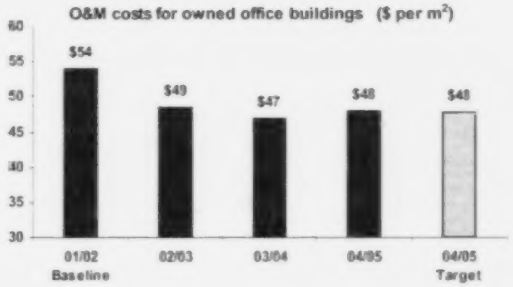
(i) a reduction in staffing costs (due to advancement into 2004/05 of reductions in the number of staff positions (FTEs), originally planned for 2005/06); and

(ii) higher than budgeted average recovery rates for chargeable staff time, along with other cost savings generated.



Starting in 2005/06 the broad CS&A measure for corporate administrative costs will be replaced by the corporate general and administrative cost measure, which does not include net customer services costs.

Operations & maintenance (O&M) costs for BCBC's owned office buildings (at $\$47.96/m^2$) decreased by 2.4% in 2004/05 relative to the costs for these same buildings in 2003/04 (of $\$49.14/m^2$). This was slightly higher than targeted ($\$47.67/m^2$, representing a 3% cost reduction), but remains well below the 2003 BOMA National Private Sector Benchmark (of $\$58.34/m^2$).

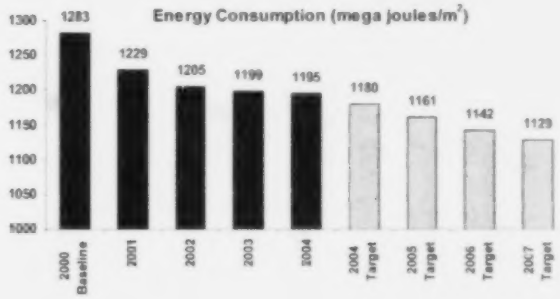


Note: The targeted cost reduction was calculated from 2003/04 cost data, adjusted to reflect properties no longer in the owned office portfolio. Thirteen commercial buildings were sold during the year, the majority of which had below average O&M costs/m^2.

The following factors, unique to the past year, influenced the result: (i) minor changes in WSI cost allocation and business processes within complexes; and (ii) a number of cost adjustments associated with the transition of property management functions to WSI. These one-time impacts are estimated to have increased 2004/05 O&M costs/m^2 by $\$1.47/m^2$, and will not influence future years' results.

Energy efficiency improved marginally during 2004 (a 6.9% improvement relative to 2000), but did not achieve the targeted 8% improvement. Performance gains achieved through BCBC's ongoing energy efficiency activities during the year were offset by a number of factors including: (i) customer decisions relating to operations in key buildings (e.g., Robson Square); and (ii) the the replacement or reassignment of a number of buildings operators in the WSI transition year.

Note: Operational changes at Robson Square accounted for an 11-point increase in the consumption rate, due to the significant influence of this complex in the overall calculation.



Goal 4: Enhanced Service Culture *(Build a performance-based and team-oriented customer service culture that focuses on flexibility, productivity and continuous improvement.)*

Human resource management strategies were implemented to support the desired shift in the corporate culture and our service delivery model, as well as to address employee concerns identified in the 2003/04 Employee Satisfaction Survey, including:

- ***An employee engagement strategy and an action plan*** were implemented. Using several employee focus groups, an action plan (to address the concerns identified via the results of the employee survey) was developed and initiated. Regular status reports on implementation of the plan and on corporate changes were communicated to employees through CEO town hall sessions, as well as via email and the intranet.
- ***A workforce adjustment strategy*** was initiated with the overall goal of establishing a stable staff complement. The strategy focused on reducing the number and complexity of temporary and acting positions created over the last two years to address shortages associated with a general hiring freeze, early retirements and variable customer workloads.
- ***Employee and line management self-service*** was enhanced through provision of on-line tools relating to self-service functions for employees and supervisors, a comprehensive competency dictionary, and position competency profiles.

Core Competency Training

The leadership and customer service orientation competency areas were identified as training priorities for 2004/05, and positions requiring these competencies were targeted for training. The aim was to have at least half of employees in targeted positions undertake the required priority training offered. Results significantly exceeded target with, for the two targeted areas together, an average of 77% of targeted employees taking the required competency training.

Performance Management

The new Performance and Compensation Management System (PCMS) implemented in 2004/05 links employees' performance to the achievement of corporate objectives and to compensation. All employees are required to submit individual performance plans (IPPs) each year, which set out their work goals (in relation to corporate priorities), as well as competency and learning goals. Performance against these goals is reviewed at mid-year and year-end. The 2004/05 target (100% participation in the PCMS) was essentially met, with 99% of employees submitting individual performance plans.

Employee Participation Rates	2004/05	2004/05 Target	2005/06 Target	06/07-07/08 Targets
% undertaking training in critical competencies	77.1%	50.0%	80.0%	90.0%
% submitting Individual Performance Plans	98.9%	100.0%	100.0%	100.0%

2004/05 Employee Survey Results

Employee satisfaction results (33%) were significantly below target (53%); lower than 2003/04 results (39%); and than the 2004/05 Watson Wyatt WorkCanada benchmark for public sector employers (62%). The lower results continue to reflect the stress and anxiety of staff due to heavy workloads and uncertainty related to pending results of the latest Core Services Review and continuing corporate changes. A relatively high percentage of employees indicated they are "undecided" or "neutral" (36%), relative to the WorkCanada benchmark results (27%), which likely reflects employee uncertainty regarding the nature of the future role of the Corporation.

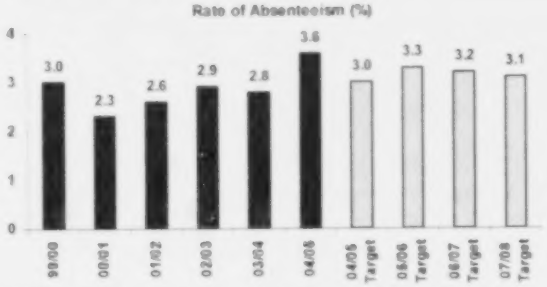
The percentage of employees indicating that they understand the corporate direction (64%) exceeded the target and 2003/04 results, and is consistent with the 2004/05 WorkCanada benchmark for public sector employees (59%).

Employee Satisfaction Survey Results	97/98	99/00 Baseline	03/04	04/05	04/05 Target	05/06 Target	06/07 Target	07/08 Target
Employee Satisfaction Rating	46%	63%	39%	33%	53%	60%	65%	67%
Employee understanding of corporate direction	-	60%	56%	64%	60%	65%	70%	75%

Note: 2004/05 targets were set during the year.

The increase in this measure suggests that enhanced communication efforts undertaken by all supervisors with their direct reports this fiscal year, and the continued emphasis on alignment of corporate and individual goals, are having a positive effect on individuals' understanding of how they can contribute to organizational success.

Employee Absenteeism



Although the absenteeism rate continued to decline throughout the year (from a high of 4.4 % in Q1), the 2004/05 rate (at 3.6% or 9.4 days per employee) is considerably higher than the target (of < 3%) and the internal benchmark (i.e., the 5-year average of 2.7%). It is also higher than external benchmarks: the BC Public Service rate of 3.2% (or 7.9 days) and the Statistics Canada rate for the Service Producing Sector of 2.9% (or 7.4 days). There are a number of possible contributing factors, including:

(i) continuing corporate change and workload issues;
(ii) the change in employee demographics; and,
(iii) a general upward trend in absenteeism across Canada.

The rate of absenteeism is expected to decline in 2005/06, but remain above past norms, pending outcomes of the latest Core Services Review. The employee satisfaction and absenteeism results underline the importance of reinforcing efforts to achieve successful employee engagement. The Corporation has committed to involving employees in decisions and actions that affect them, and will implement an enhanced employee engagement strategy in 2005/06.

Financial Performance

The Management Discussion and Analysis reports on the Corporation's financial performance and financial position. This discussion should be read in conjunction with the audited financial statements and related notes on pages 28 through 39 and the discussion of risks contained in the 2004-07 Service Plan, page 22 (accessible at www.bcbc.bc.ca/corporate). This discussion contains contextual information, along with statements regarding anticipated future business financial performance of BCBC. It should be noted that such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ from plan.

Overview

The Corporation's 2004/05 net income of $50.6 million exceeded the budget of $43.1 million, by $7.5 million or 17 percent. Financial results were impacted by the following significant factors:

- Operating revenues increased from budget by $22.7 million or 6 percent, primarily due to higher-than-budgeted levels of customer demand for discretionary services and projects.
- Partially offsetting the revenue increase was an increase in operating expenses of $20.8 million, reflecting the service delivery expenses associated with this discretionary project demand.
- Both operating revenues and expenses decreased from 2003/04, which reflects lower overall government space occupancy.
- Interest costs were reduced in 2004/05 as a result of the debt retirements undertaken in 2003/04.
- Gains on sale of $31.1 million exceeded budget by $4.8 million or 18 percent following the successful acceleration of property sales originally anticipated for future fiscal periods.
- Real estate assets decreased during the year by 6 percent ($42 million), which reflects BCBC's sales program.
- Net debt continued to decline during the year – from $328 million to $251 million, a decrease of 23 percent.

The following table provides a summary of BCBC's 2004/05 financial performance, compared to the 2003/04 actual results and the 2004/05 budget.

($ millions)	2003/04 Actual	2004/05 Budget	2004/05 Actual	Variance
Operating Revenue	464.6	382.5	405.2	22.7
Operating Expenses	(404.8)	(341.7)	(362.5)*	(20.8)
Income from Operations	**59.8**	**40.8**	**42.7**	**1.8**
Net Interest Expense	(29.4)	(24.0)	(23.2)	0.8
Gains on Sale	42.6	26.3	31.1	4.8
One-time Items	(26.5)	-	-	-
Net Income	**46.5**	**43.1**	**50.6**	**7.5**
Real Estate Assets	714.3	654.7	672.2	(17.5)
Net Debt	327.7	255.0	251.1	3.9

* Includes corporate restructuring costs of $6.5M.

Operating Revenue

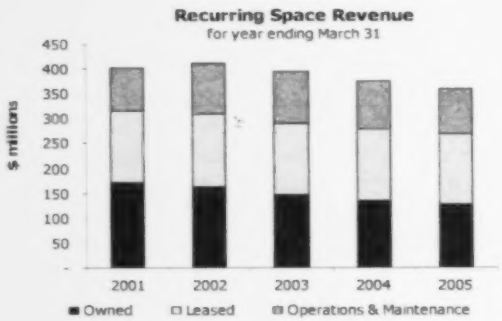
The Corporation's operating revenues are generated through the provision of real property and infrastructure services to the provincial government and the broader public sector. BCBC received 74% of its 2004/05 revenues from provincial government ministries, 15% from other provincial government entities, and the balance from other sources.

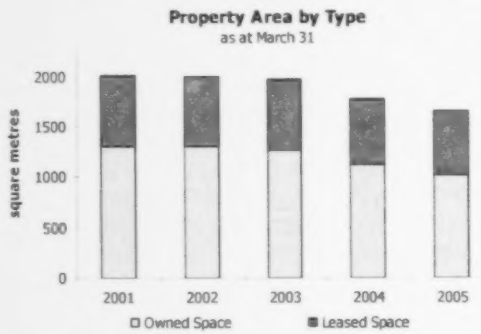
Following the successful completion of the government accommodation restructuring initiative (GARI) in 2003/04, the Corporation's 2004/05 financial results are reflective of a lower level of provincial government demand for program accommodation and related services.

BCBC's recurring space-related revenues are generated via customer occupancy of properties leased or owned by BCBC, along with related operations and maintenance services. A combination of factors have changed the dynamic of this revenue base over the past five years.

- Government's overall space requirements have decreased, due to program changes and overall downsizing. This reduction impacts both revenue and profitability levels.
- BCBC has been steadily reducing its operations and maintenance charges to customers on a unit-rate basis. Further reductions were achieved through the outsourcing of this entire service function in 2004/05.
- The ratio of leased: owned properties has shifted more towards leased space, as BCBC disposes of property assets that are non-core to government's long-term accommodation requirements. As a result, BCBC's overall profitability is reduced, due to revenues now being generated from administrative fees on leased space, as opposed to owned rental revenues.

The following graphs illustrate the downward trend in BCBC's space related recurring revenue stream as a result of the above noted factors.

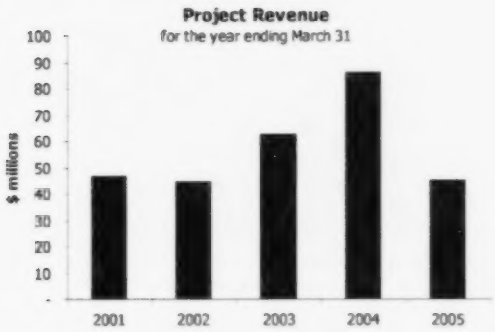




As the accommodation shared services provider for government, a reduction in BCBC's ongoing space-related revenues translates into cost reductions for government agencies. In total, $63 million in annualized accommodation savings were generated through GARI by the end of 2004/05.

The revenue stream for discretionary projects and services is demand driven and thus, more volatile on a year-by-year basis. Customer demand levels for these services in the pre-GARI timeframe were $40 million to $50 million per annum. During the government restructuring, project activity increased sharply, peaking at $80+ million in 2003/04 as the Corporation implemented the restructuring projects necessary to achieve ongoing space savings.

Following that spike, the level of demand in 2004/05 was difficult to predict, and was originally budgeted at $30 million, but actual activity at $45 million exceeded budget expectations. This was primarily due to higher than budgeted demand across most customer segments, and some residual GARI project activity early in the fiscal year.



Operating Expenses

BCBC's challenge during 2004/05 was to effectively manage its operating expenses downward as its revenue base decreased. In order to keep operating expenses in line with revenues, the Corporation:

- Strongly focused its efforts on reducing post-GARI vacant space levels;
- Transitioned the property management service function to an outsource service partner;
- Restructured internal operations to continue to increase private sector service supply in all service areas, and to reduce administrative overheads.

This had the following impacts on operating expenses:

- Portfolio-related costs for leasing, amortization and asset maintenance all decreased from 2003/04 levels and were consistent with a reduced 2004/05 budget.
- Operations and maintenance costs were reduced as the Corporation's outsource partner, BLJC-WSI, exceeded their cost-savings targets for year one of the contract.
- Net customer services and administration costs were reduced by $2.6 million or 8% from budget.

Operating expenses in 2004/05 included $6.5 million in corporate restructuring costs, primarily related to workforce adjustment. This one-time expense negatively impacts current year profitabilities but will enhance future years' financial performance.

As a result of the property management outsource implementation and internal operating efficiencies, BCBC's reduced its workforce from 732 to 318 during the 2004/05 fiscal year.

Debt and Debt Servicing

Overall, net debt levels reduced during the year to $251 million at year-end, from $328 million in March 2004. Utilizing proceeds from the property sales plan, as well as cash generated from operations, the Corporation pursued a strategy of increasing sinking-fund investments in order to continue to reduce net debt and to maximize sinking-fund earnings. As a result, sinking funds increased by $69.5 million during 2004/05. Overall, debt servicing costs reduced sharply from 2003/04 levels, due to the positive impact of debt retirements carried out in the previous fiscal year. The weighted average interest rate on debt did not change during the year, as BCBC's debt portfolio is comprised of entirely fixed-rate instruments. Looking forward, the net debt is anticipated to continue to decline, primarily through ongoing sinking-fund payments.

Property Disposals

As a result of the GARI initiative, a significant number of government property assets were identified as surplus and the high-level of disposal activity seen in recent years, continued in 2004/05. During the year, BCBC sold 113 properties, generating a net gain of $31.1 million, which compared favourably to the budget of $26.3 million. Significant sales during the year included: 52 highways yards; commercial office properties in Victoria, Williams Lake and Nelson; and, surplus courthouses, correctional facilities and land. During 2005/06, BCBC anticipates an additional $33 million will be generated in gains on property sales through further disposition of non-core properties.

Real Estate Assets

The Corporation's net real estate assets decreased by $42.1 million during the year as a result of the disposition of non-core property assets and the relatively low levels of capital expenditures. As in 2003/04, the Corporation's capital expenditure program was focused almost exclusively on upgrade and alteration projects to existing property assets. Expenditures of $13 million were significantly below the original planned level of $39 million, primarily due to the timing deferral of customer-initiated projects in special-purpose properties.

During the year, BCBC commenced a major capital upgrade project at the Robson Square property in downtown Vancouver. This project, estimated at $21 million, will take place over a three-year period (expected completion is 2007).

Risk Management

Risk management encompasses all the activities BCBC undertakes to reduce the risk that strategic and operational objectives will not be achieved. Strategic and business planning feature prominently among these activities. Senior management identifies the risk of objectives not being achieved through an environmental scan and a review of the Corporation's strengths, weaknesses, opportunities and threats (SWOT analysis) both conducted as part of the annual business planning process. These processes inform the development of corporate, business unit and individual employee objectives. Both the development of strategies to achieve these objectives and the performance measurement system used to track progress provide significant assurance that expected results will be achieved and that mitigation strategies have been utilized to the fullest extent possible.

The Corporation's risk management activities also consist of clearly communicated authorities and accountabilities, a broad array of policies, practices and procedures, a comprehensive loss prevention program and the maintenance of a robust internal audit function.

BCBC's Categories of Risk

Business risk represents the risk related to stakeholder relations as well as BCBC's business model and the external environment in which it operates. The Core Services Review, conducted this year, generated some uncertainty about BCBC's future direction. BCBC's strategy has been one of significant resource commitment to ensure first that those conducting the review had the information necessary to come to informed and objective conclusions and second that BCBC's transformation plan will effectively address issues raised in the review.

Operational risk considers all the factors having an impact on how efficiently, effectively and reliably BCBC's operating and support processes deliver the Corporation's mandate. BCBC's simultaneous commitment to implement change and generate greater efficiencies has increased the risks associated with operational capacity. To mitigate this, corporate plans were reviewed and re-prioritized. A number of activities and initiatives were deferred, allowing the Corporation to focus on critical items. The executive team will continue to monitor capacity closely as part of tracking progress against annual objectives.

Organizational risk comprises the risks associated with BCBC's human resources and the culture and organizational structure in which they work. Increased business risk, as noted above, has contributed to an environment of ongoing organizational change where little clarity about the nature of the end state is available. BCBC's senior managers continue to face a significant challenge in leading the workforce through what has now become a prolonged period of uncertainty. The Corporation's employee engagement strategy will help to mitigate this risk.

Stewardship risk encompasses events which have an impact on BCBC's ability to discharge its responsibilities as steward of the Corporation's significant portfolio of real property assets. These risks are managed though a number of activities including aggressive vacant space management policies, reviews of financial and functional building performance and comparisons of building and portfolio performance to market. Environmental risks associated with the portfolio are managed through the Environmental Management System and a due diligence process on property disposals.

Financial risk is the risk associated with events affecting the value or certainty of BCBC's cash flow and financial assets and liabilities. A sound budgeting process closely linked to business planning, rigorous ongoing review of assumptions and the assignment of fiscal accountability to business owners are key risk management activities.

Information technology risk describes those events having an impact on the reliability, relevance and accuracy of information technology assets and electronic information. BCBC has a comprehensive set of information technology policies and procedures addressing business continuity, availability and both internal and external security of systems.

Property Management Outsourcing Contract

2004/05 was the inaugural year of the contract between BCBC and BLJC Workplace Solutions Inc. (WSI). This contractual arrangement decreased BCBC's direct span of control over millions of dollars in buildings operations and maintenance costs. The following activities mitigate the risk associated with the service contract.

- A team of employees, knowledgeable in property management operations, is dedicated to managing the contract and the ongoing relationship with WSI.
- The team uses a contract management framework that clearly establishes:
  - a governance framework which includes regularly scheduled BCBC-WSI Joint Operating Committee and Joint Executive Steering Committee meetings
  - roles and responsibilities of BCBC and WSI
  - a structured approach to identifying, analyzing and treating the risks related to the contract
  - the internal controls required to provide assurance that the business objectives of the MSA are achieved
  - the communication and information requirements which enable employees to carry out their responsibilities
  - an annual self-assessment process designed to review how the framework is working and improve it, where required
- The contract provides for a portion of the management fee paid by BCBC to be at-risk based on WSI's performance against a set of key performance indicators (KPIs) with associated targets, each of which may be revised annually to align with changing performance expectations. The revision of KPIs and the related targets is mutually agreed to by BCBC and WSI, following a rigorous review of the previous year's results and a series of discussions.
- The contract provides two avenues for BCBC to seek independent assurance of components of WSI's operations.
  - WSI's parent company is required to annually provide a service organization audit report on key aspects of WSI's internal controls. The audit is performed under Section 5900 of the CICA Handbook by a public accounting firm on a scope proposed by BCBC with concurrence form the parent company.
  - BCBC's Internal Audit function may perform audits or reviews of any aspect of WSI's financial or other operations related to delivering service to BCBC

The focus for these various audits will be based on areas of highest risk as assessed by BCBC's Internal Audit function. This assessment is informed on an ongoing basis through the contract management framework which highlights areas of WSI's financial or other operations where:

- an assumption of WSI's good business practice requires validation
- there are identified concerns or issues
- there is a material reliance on the integrity of data supplied by WSI
- a thorough understanding of a major process or system is required

Implementing Enterprise Risk Management

During 2004/05, BCBC developed an Enterprise Risk Management (ERM) framework based on the "Australian/New Zealand Standard" and the Treasury Board of Canada Secretariat's "Integrated Risk Management Framework". The ERM framework will guide the numerous risk management activities practiced by BCBC at the strategic and operational levels. By establishing consistency of approach and language, ERM brings structure and discipline to risk management practices, especially those which historically have been somewhat intuitive in nature.

ERM forms the basis for reporting risks and risk management activities, enabling BCBC to provide assurance to stakeholders that the Corporation's significant risks are being identified, assessed, addressed and monitored.

During 2004/05, the developmental year for ERM, the following key milestones were reached:

- An Enterprise Risk Management Policy was developed
- Corporate risk tolerance levels were established
- ERM responsibilities were clearly articulated
- Risk assessment tools and methodologies were developed
- The 2005-08 Service Plan includes a specific strategy to implement ERM

Outlook

On April 1, 2005, BCBC ceased providing services to Public Works and Government Services Canada. Although this customer did not occupy significant amounts of BCBC space, the Corporation did provide operations and project services valued at approximately $7 million per annum. This decrease in business has been incorporated in the current 2005/06 budget.

Taking this and other space reductions into account, BCBC's operating revenues are budgeted to reduce to $361 million during 2005/06. Overall net income is anticipated to be $53 million, which is consistent with the 2004/05 fiscal year.

The Corporation will continue to meet the challenge of reducing corporate overhead costs faster than the negative impact on corporate revenues of a steadily decreasing level of customer demand for space and services.

As the outcome of BCBC's core review is still pending, the future business and financial impacts of these pending decisions cannot be reflected with certainty in BCBC's current financial plans.

Notwithstanding that, the Corporation will be pursuing a number of internal initiatives in 2005/06 to continue to improve the efficiency and effectiveness of its operations:

- Review of the pricing/charging process to customers with the goal of simplification;
- Continuation of the review of alternative service delivery options for BCBC's products and services;
- Further refinement of the shared services business model to ensure a complete separation of governance (property ownership) and service delivery activities, and financial sustainability for both streams;
- Reengineering business processes and associated technology platforms;
- Continuation of streamlining the Corporation's organizational structure to reduce management overhead and managerial layers, thereby increasing the efficiency of internal decision making.

Key Financial and Operational Comparatives

(for the years ended March 31)

Financial	2005	2004	2003	2002	2001
Income Statement Related ($ millions)					
Gross Revenue	405.2	464.6	461.2	458.8	451.8
Net Customer Services & Administrative costs	28.1	30.2	33.8	39.3	32.9
- as % of Revenue [1]	6.9	6.5	7.3	8.6	7.3
Corporate Operating Margin (%)	10.5	12.8	16.0	16.6	17.4
Net Income before Gains & Other Items	19.4[2]	30.4	36.9	36.1	40.5
Gains on Property Sales	31.1	42.6	10.5	6.6	10.4
Total Gross Proceeds from Property Sales	64.0	71.9	101.7	9.7	17.9
Net Income	50.6	46.5	52.1	37.3	50.9
Balance Sheet Related ($ millions)					
Total Assets	762.7	829.1	918.1	991.8	953.6
Net Debt	251.1	327.7	463.1	601.8	613.2
Return on investment (ROI) (%)	6.3	7.0	8.0	8.1	8.5
Return on equity (%)	13.4	13.4	16.6	13.2	18.7
Operational					
Properties (m^2) - owned	1,016,383	1,122,263	1,267,193	1,303,612	1,312,210
- leased	648,012	657,372	701,369	690,552	695,077
- maintained	387,113	408,578	418,623	386,621	360,695
Office vacancy rate (%)	5.2	9.6	4.5	1.9	2.0
O&M costs for owned office buildings ($/ m^2)[3]	47.96	46.87	48.51	53.96	N/A
Status of Contaminated Sites Remediation Program (% completed)	87.7	87.0	58.9	44.7	N/A
Energy Intensity (MJ/ m^2) [4]	1,195	1,199	1,205	1,229	1,283
Rate of employee absenteeism (%)	3.6	2.8	2.9	2.6	2.3
Number of employees [5]	318	732	756	850	858
Customer Satisfaction rating (%)	73.0	62.7	66.0	-	67.0

Notes:
1. Comprises costs relating to customer services, corporate general and administrative functions, and the non-recoverable component of service delivery and supply management functions.
2. Includes $6.5M in corporate restructuring costs.
3. 2003/04 O&M costs, adjusted to reflect properties no longer in the owned office portfolio, were $49.14/$m^2$. This is due to the fact that thirteen commercial buildings were sold during 2004/05, the majority of which had below average O&M costs/m^2.
4. By calendar year (e.g., results for 2004/05 are for the 2004 calendar year).
5. Includes temporary and auxiliary staff.

Management's Report

The financial statements of British Columbia Buildings Corporation have been prepared by the management of the Corporation, which is responsible for their consistency, integrity and objectivity. The statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgments based on currently available information. Financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains and relies on a system of internal controls designed to provide reasonable assurance that the Corporation's assets are safeguarded, transactions are properly authorized and recorded, and that reliable and relevant financial information is produced. The Corporation's internal auditors independently review and evaluate these controls.

The Audit Committee comprises members of the Corporation's Board of Directors and oversees management's discharge of its financial reporting responsibilities. The Committee meets regularly with management, the internal auditors and representatives of the external auditors to review financial information prepared by management and discuss relevant matters. Both the internal and external auditors have full and free access to the Committee.

The external auditors have audited the financial statements, which have been approved by the Board of Directors on recommendation of the Audit Committee.

John Beales,
President and
Chief Executive Officer

Craig Paterson, CMA
Corporate Controller and
Chief Financial Officer

May 6, 2005

Auditors' Report

To the Board of Directors of
British Columbia Buildings Corporation

We have audited the balance sheet of British Columbia Buildings Corporation as at March 31, 2005 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Victoria, Canada

May 6, 2005

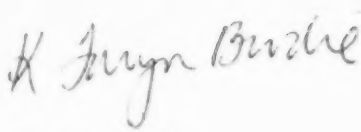
Balance Sheet

$ 000s	March 31 2005	2004 (Note 3)
ASSETS		
Real estate investments		
Income-producing properties (note 4)	641,754	680,190
Income-producing properties under construction (note 5)	11,002	14,023
Properties held for sale or development (note 6)	19,426	20,123
	672,182	714,336
Corporate properties and equipment (note 7)	6,058	10,545
Unamortized debt discount and issue expenses	7,297	7,624
Other assets (note 8)	77,205	96,595
	762,742	**829,100**
LIABILITIES		
Long-term debt (note 9)	251,128	320,652
Short-term debt (note 10)	-	7,000
Other liabilities (note 11)	120,113	140,912
	371,241	468,564
EQUITY		
Contributed surplus	52,832	52,832
Retained earnings	338,669	307,704
	762,742	**829,100**

Commitments (note 12)

See accompanying notes to the financial statements.

On Behalf of the Board:



Lucie Gosselin, CA
Chair

Taryn Brodie, CPA
Director

Statement of Income and Retained Earnings

$ 000s	Year Ended March 31	
	2005	**2004** (Note 3)
REVENUES		
Rentals	360,016	377,246
Other income	45,195	87,311
	405,211	464,557
EXPENSES		
Lease costs	137,587	140,451
Operations and maintenance	96,839	90,141
Amortization	32,238	33,991
Client requested projects	43,900	81,728
Property taxes and grants	18,941	18,890
Energy	19,309	22,334
General and administrative	13,776	17,250
	362,590	404,785
INCOME FROM OPERATIONS	**42,621**	**59,772**
Interest expense (note 13)	(23,190)	(29,409)
Gains on sale of properties	31,123	42,605
INCOME BEFORE OTHER ITEMS	**50,554**	**72.968**
One-time debt retirement costs	-	(29,626)
Property Management Outsourcing	-	(4,926)
Cost Recoveries--Early Terminations	-	8,050
NET INCOME	**50,554**	**46,466**
Retained earnings, beginning of year	307,704	279,229
Dividend	(19,589)	(17,991)
RETAINED EARNINGS, END OF YEAR	**338,669**	**307,704**

See accompanying notes to the financial statements.

Statement of Cash Flows

$ 000s	Year Ended March 31	
	2005	**2004** (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	50,554	46,466
Non-cash items		
Amortization of capital assets and other amounts	32,566	34,362
Provision for asset retirement	147	3,077
Write-down of vacated properties and other assets	457	14,946
Gains on sale of properties	(31,123)	(42,605)
Other assets and liabilities, net change	17,590	14,523
	70,191	70,769
CASH FLOWS FROM INVESTING ACTIVITIES		
Real estate investments	(5,957)	(8,342)
Corporate properties and equipment	(1,264)	(1,878)
Net proceeds from sale of properties	59,776	60,598
	52,555	50,378
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt repayments	-	(168,000)
(Increase)/Decrease in sinking funds	(69,524)	25,590
(Decrease)/Increase in short-term debt	(7,000)	7,000
Dividends paid	(37,580)	-
	(114,104)	(135,410)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**8,642**	**(14,263)**
Cash and cash equivalents, beginning of year	15,379	29,642
CASH AND CASH EQUIVALENTS, END OF YEAR (note 15)	**24,021**	**15,379**

See accompanying notes to the financial statements.

Notes to Financial Statements

March 31, 2005 (Tabular amounts in $ 000s)

1. Statement of Purpose

British Columbia Buildings Corporation (the Corporation), established in 1977 as a Crown Corporation of the Province of British Columbia through the enactment of the British Columbia Buildings Corporation Act, has a mandate to serve as an agency of the Crown in providing real property and accommodation infrastructure services to the provincial government and the broader public sector. Corporate and customer accountability is achieved by charging market based prices for services rendered, and using private sector management principles. During the year the Corporation received 74% (2004 - 75%) of its revenues from provincial government ministries, 15% (2004 – 13%) from other provincial government entities, with the balance from other sources.

2. Accounting Policies

The financial statements of the Corporation are prepared in accordance with Canadian generally accepted accounting principles. The Corporation's significant accounting policies are as follows:

(a) Real Estate Investments and Corporate Properties and Equipment

Real estate investments and corporate properties and equipment are recorded at cost less accumulated amortization. In addition to land and direct costs, amounts capitalized to real estate investments during development and construction include property taxes and the applicable portion of both interest on general borrowings and general and administrative expenses. Capitalized costs do not exceed estimated future recoveries for income-producing properties and estimated realizable value for properties held for development.

(b) Temporary Investments

Temporary investments represent short-term funds administered by the Province of British Columbia. These investments are recorded at cost, which approximates market.

(c) Amortization

Real estate investments and corporate properties and equipment are amortized on an individual basis by the straight-line method over their estimated useful lives or lease terms. Amortization is prorated by month in the year of acquisition or disposal.

The estimated useful lives or lease terms of income-producing and corporate properties are from five to fifty years. The estimated useful lives of all other assets are from three to ten years.

(d) Income Taxes

The Corporation is exempt from federal and provincial income taxes.

(e) Amortization of Debt Discount and Issue Expenses

Debt discount and issue expenses are amortized on a straight-line basis, both over the terms of the applicable debt.

(f) Related Party Transactions

The Corporation is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities, as well as other transactions in which provincial government intervention is a component, are generally considered to be in the normal course of operations and are recorded at the exchange amount. Unless disclosed separately in these financial statements, this exchange amount approximates market

(g) Environmental Expenditures and Liabilities

Under the current environmental legislation and the Corporation's standard accommodation agreement with customers, responsibility for site cleanup rests with the polluter. Environmental cleanup costs are recoverable from customers. These recoveries are included in other income.

Environmental expenditures incurred as a result of the ongoing business activities of the Corporation are expensed or capitalized as appropriate.

(h) Accounting Estimates

Financial statements, by their nature, contain estimates and are subject to measurement uncertainty. Accounts receivable are evaluated as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. The amounts recorded for amortization of capital assets and deferred charges are based on estimates of the useful life benefit of these assets. The effect on the financial statements of changes in such estimates in future periods is not anticipated to be significant.

3. Change in accounting policies

Asset Retirement Obligations

Effective in the 2004/05 fiscal year, the Corporation retroactively adopted the new standard of the Canadian Institute of Chartered Accountants (CICA) for asset retirement obligations. The new standard requires the fair value of asset retirement obligations to be recorded as liabilities when incurred and the related assets be increased by the amount of these liabilities. Over time, the liabilities are accreted for the change in their present value and the initial capitalized costs are depreciated over the useful lives of the related assets. The Corporation's asset retirement obligations (ARO's) are the obligations associated with the retirement of its building property assets.

Implementation of this accounting policy resulted in the following changes to the financial statements for the year ended March 31, 2004; a decrease to net income and retained earnings of $47,000, an increase to the asset net of depreciation of $2,744,000, and an increase to the liability of $2,791,000. The following is a reconciliation of the liability for asset retirement obligations:

	2005	2004
Asset retirement liability, beginning of year	3,218	-
Additions	-	3,077
Accretion expense	147	141
Asset retirement liability, end of year	3,365	3,218

The accretion expense is included in interest expenses. The undiscounted estimated cash flows required to settle the obligation range from $3,800,000 to $4,200,000 during the years 2006 to 2013. The cash flows are discounted using a credit adjusted risk-free rate of 4.48% (2004 – 4.48%).

Other assumptions used by management to determine the carrying amount of the asset retirement obligations are: construction costs based upon current market conditions; market risk premium for unforeseeable circumstances; and the rate of inflation over the expected years to settlement.

4. **Income-Producing Properties**	2005	2004
Net book value:		
Cost	1,141,274	1,183,662
Accumulated amortization	(499,520)	(503,472)
	641,754	680,190
Activity:		
Net book value, beginning of year	680,190	720,195
Properties transferred from income-producing properties under construction	8,792	12,792
Asset retirement cost (note 3)	-	3,077
Write-down of vacated properties	-	(14,946)
Disposals, net	(18,397)	(10,779)
Amortization expense	(28,831)	(30,149)
Net book value, end of year	641,754	680,190

5. **Income-Producing Properties Under Construction**	2005	2004
Balance, beginning of year	14,023	19,031
Direct development and construction costs	4,245	6,109
Capitalization of:		
Interest	200	180
General and administrative expenses	1,326	1,495
Cost of properties completed and transferred to income-producing properties	(8,792)	(12,792)
Balance, end of year	11,002	14,023

6. **Properties Held For Sale or Development**	2005	2004
Balance, beginning of year	20,123	27,754
Capitalization of interest and property tax	185	559
Disposals, net	(882)	(8,190)
Balance, end of year	19,426	20,123

7. **Corporate Properties and Equipment**	2005	2004
Cost:		
Office and data processing equipment	25,852	27,988
Corporate properties and leasehold improvements	2,968	8,009
Maintenance equipment	-	2,797
Vehicles	85	5,104
	28,905	43,898
Accumulated amortization	(22,847)	(33,353)
	6,058	10,545

8. **Other Assets**	2005	2004
Cash	971	15,298
Temporary investments	23,050	81
Accounts receivable:		
Short Term - Ministry of Finance (note 14)	4,407	48,799
- Other provincial ministries and entities	17,756	17,760
- Other	17,392	4,432
Long Term - Provincial ministries and entities	1,383	1,776
- Other	10,143	7,713
Prepaid expenses	2,103	736
	77,205	96,595

9. Long-Term Debt

	2005	2004
Debentures payable to the Province of British Columbia		
Various issues at an average effective interest rate of 7.39% (2004 – 7.39%) maturing at various times to 2029 (2004 - 2029)	454,512	454,512
Sinking funds on deposit with the Province of British Columbia	(203,384)	(133,860)
	251,128	320,652

At March 31, 2005, the coupon rates on the long-term debt ranged from 5.70% to 10.60% (2004 - 5.70% to 10.60%).

Minimum sinking fund payments for each of the next five years:

2005/06	9,001
2006/07	8,251
2007/08	6,180
2008/09	6,180
2009/10	4,541

10. Short-Term Debt

There was no short-term debt outstanding at March 31, 2005.

11. Other Liabilities

	2005	2004
Accounts payable and accrued liabilities	48,296	55,623
Dividend payable	-	17,991
Holdbacks	11,282	9,994
Accrued interest payable:		
Province of British Columbia	6,716	6,801
Deferred revenue	21,920	24,550
Deferred gains on sale of properties	31,899	25,953
	120,113	140,912

12. Commitments

The Corporation estimates that the cost to complete projects under construction at March 31, 2005 will be $46,678,000 of which $11,161,000 has been committed.

The Corporation has entered into leases with third parties to provide space for customers and corporate operations for varying periods up to the year 2023 at a total aggregate net rental of approximately $498,039,000. Most lease terms are from five to ten years and include renewal options.

Minimum lease payments which will be charged to operations in subsequent years for leases committed at March 31, 2005:

2005/06	110,372
2006/07	87,986
2007/08	74,528
2008/09	61,585
2009/10	43,604
Thereafter	119,964

The Corporation had outstanding letters of credit totalling $551,000 at March 31, 2005 to guarantee performance on various projects.

13. Interest Expense

	2005	2004
Interest on long-term debt	33,015	40,906
Other interest expense	726	380
Amortization of debt discount and issue expenses	328	371
Sinking fund and other interest earnings	(9,901)	(10,385)
Interest capitalized	(978)	(1,863)
	23,190	29,409

14. Government Accommodation Restructuring

During 2002/03 and 2003/04 many provincial government ministries implemented significant program changes with associated impacts on related accommodation requirements. Government established a centralized fund for certain costs associated with the accommodation restructuring, over the 2002/03 and 2003/04 fiscal years. During the year, the Corporation invoiced $9,259,000 (2004 - $79,569,000) to the fund for costs associated with this accommodation restructuring. At March 31, 2005 $4,407,000 (2004 - $48,799,000) is included in accounts receivable (note 8).

15. Cash and Cash Equivalents

	2005	2004
Cash	971	15,298
Temporary investments	23,050	81
Total cash and cash equivalents	24,021	15,379

16. Employees' Benefit Plans

The Corporation and its employees contribute to the Public Service Pension Plan (the plan), a jointly trusteed pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of the assets and administration of benefits. The plan is a multi-employer, contributory pension plan. Basic pension benefits are defined. The plan has approximately 52,000 active and 30,000 retired plan members. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest valuation as at March 31, 2002, indicated a $546 million funding surplus for basic pension benefits. The next evaluation will be as at March 31, 2005 with results available in 2006. The actuary does not attribute portions of the surplus to individual employers. Contributions to the plan by the Corporation totaled $1,665,000 (2004 - $2,818,000) during the year.

In addition, employees are entitled to specific retirement benefits as provided for under the collective agreement and terms of employment. The Corporation accrues the liability for the future obligation for these benefits as the employees render the services necessary to earn the benefit. During the year, an expenditure of $396,000 (2004 - $486,000) was recognized with respect to these retirement benefits.

17. Risk Management

(a) Interest rate risk:

In conjunction with the Ministry of Finance (the Corporation's fiscal agent), the Corporation may enter into interest rate agreements to manage its exposure on debt instruments. The terms of these instruments are disclosed in note 9.

(b) Credit risk:

The Corporation grants credit to its customers, the majority of whom (note 1) are Province of British Columbia entities. Management feels that any risk associated with such a concentration of credit is offset by the fiscal stability of these clients.

(c) Fair value of financial instruments:

The carrying amounts of financial instruments, other than long-term debt, included in the balance sheet approximate their fair value, due to their short- term nature. The fair value of the Corporation's long-term debt, net of sinking funds, at March 31, 2005 was $323,371,000 (2004 - $389,012,000). The fair value of the long-term debt has been estimated based on current market rates for long-term debt with similar terms and conditions.

18. Comparative Figures

Certain balances of the preceding period have been reclassified to conform with the current year's financial statement presentation.

BCBC Board Governance

Corporate governance describes the process and structure for overseeing the direction and management of a corporation so that it effectively fulfils its mandate. For Crown corporations, this mandate involves attainment of both public policy and commercial objectives.

The Minister responsible is the representative of the Shareholder and is responsible to the public, through the Legislative Assembly, and to Cabinet to ensure that the Shareholder's expectations have been adequately communicated and acted upon by the Corporation.

To guide British Columbia Buildings Corporation in fulfilling its mandate and setting its direction, an independent Board is appointed by the Lieutenant-Governor-in-Council. Currently, the Board is composed of eight Directors (maximum of nine), chosen on the basis of their skills, expertise and experience.

A clearly articulated governance framework enables: clarity of lines of responsibility and accountability; effective and strong working relationships; agreement on objectives, expectations and results; accomplishment of corporate mandate; and, promotion of open communication among customers, the Shareholder, Board and Management. BCBC's Governance Manual, which sets out the Corporation's governance framework, was jointly developed by BCBC's Board and Management in 2001/02. In 2003/04, it was updated and revised to align with the government's new Governance Framework for Crown corporations.

BCBC established five key governance principles: leadership; stewardship; trust and transparency; accountability and performance; and, continuous improvement.

The Governance Manual also includes guidelines, which clarify the roles, responsibilities and linkages of the Shareholder (including the Minister responsible), Board (including the Chair) and Management (including the President and CEO). It also describes Board processes and the

important Board-Management co-leadership relationship.

BCBC has adopted, for both Board members and employees, a Code of Conduct that sets out expectations for corporate behavior relating to duties of care and ethical standards.

The Board has established and adopted terms of reference for two Board Committees: an Audit Committee and a Human Resources Committee.

Audit Committee

The responsibilities of this committee include: reviewing the internal audit plan; overseeing the audit function as performed by both external and internal auditors; reviewing the annual external audit report and the audited financial statements; and, participating with management in the periodic selection of the external auditor. A representative of the Office of the Auditor General (OAG) attends meetings of the Audit Committee; the purpose of this participation is to increase OAG's understanding of BCBC and to share with BCBC OAG's knowledge of broader government operations.

Audit Committee — Taryn Brodie (Chair)
Tod Cooper, Mike Delesalle, and Lucie Gosselin (until January 2005).

Human Resources Committee

This committee reviews information and makes recommendations regarding compensation, labor relations and key human resource policies and practices. It is also responsible for the recruitment, succession planning and performance planning and evaluation of the President and CEO. The committee also reviews the President's recommendations regarding compensation, evaluation and changes for those Executive Vice President/Vice President positions that report directly to the President.

Human Resources Committee — Peter Cook (Chair until December 2004) / Doug Deschner (Chair)
Gary Cowan, Maureen Nicholls and Randy Zien (until April 20, 2004).

Additional Board committees and ad hoc committees dedicated to particular issues may be established as required.

The Board enjoys and encourages open and candid communication with the Executive of the Corporation. The Executive attends all Board meetings. The Board also ensures its independence by meeting in camera at every Board and Committee meeting without Management present.

Discussions of general and specific strategic initiatives and risks facing the Corporation are a regular part of each meeting. In addition, during 2004/05, the Board devoted two days to a planning meeting to discuss with Senior Management BCBC's future strategic direction. It also approved the 2005/06 Shareholder's Letter of Expectations. This Letter, signed by the Minister Responsible for BCBC on behalf of the Shareholder and by the Board Chair on behalf of the Corporation, confirms the shared understanding between the Shareholder and the Corporation on key governance issues, corporate mandate and core services, public policy issues, strategic priorities and performance expectations.

Over the past year, in addition to approving the 2005 - 2008 Service Plan (including annual and multi-year budgets and financial forecasts); key elements of the 2003/04 Annual Report; and, the Shareholder's Letter of Expectations, the Board:

- Monitored the implementation of the outsourcing partnership with BLJC Workplace Solutions Inc);
- Monitored the implementation of the corporate transformation initiative; and,
- Dedicated a considerable amount of time to the 2004/05 Core Mandate Review of BCBC, which was initiated in November 2004.

During 2004/05, there were 12 full Board meetings (one of which was a two-day planning session); two meetings of the Audit Committee; and four meetings of the Human Resources Committee.

Board of Directors

Lucie Gosselin
Chair, Nanaimo

Taryn Brodie
Vancouver

Peter Cook
Vancouver

Tod Cooper
Kamloops

Gary Cowan
Victoria

Mike Delesalle
Vancouver

Doug Deschner
Kelowna

John Dorken
Victoria

Maureen Nicholls
Victoria

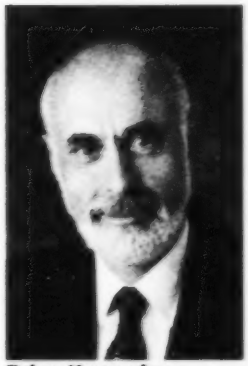
Randy Zien
Vancouver

During 2004-05 the following changes occurred on the Board of Directors: Randy Zien resigned as of April 20, 2004 and Peter Cook resigned as of December 30, 2004. Doug Deschner was appointed as of May 6, 2004 and John Dorken was appointed as of January 27, 2005.

Executive Committee

John Beales
President
and Chief Executive Officer

Sharon Halkett
Executive Vice President,
Customer Services



Brian Kennedy
Vice President,
Portfolio Management

Lak Parmar
Vice President, Corporate Services
and Chief Financial Officer

Note: *Effective April 21, 2005 Craig Paterson was appointed Chief Financial Officer, in place of Lak Parmar, who retired.*

Barry Herring
Assistant Vice President,
Supply Management

Herman Starink
Assistant Vice President,
Customer Services – Central

Marie Robertson
Assistant Vice President,
Customer Services – Regional

Glossary of Terms

Accommodation Infrastructure

Accommodation infrastructure includes the buildings, facilities and properties that make up workplaces, as well as workplace tools, such as furniture and telecommunications.

Alternative Service Delivery (ASD)

Alternative service delivery refers to the range of methods by which BCBC may manage service delivery to its customers. The term is usually used when considering the strategies that can be used to change either the way a service is being delivered or the way service demand is managed. Potential alternate service delivery methods/strategies include a continuum of methods including, but not limited to, shared services, co-sourcing, public-private partnerships (P3s), contracting out, outsourcing, non-asset related strategies (e.g., eliminating or reducing demand for a particular service) or existing asset strategies (e.g., using existing assets more intensively rather than expanding capacity).

BOMA

The Building Owners and Managers Association (BOMA) of Canada represents the Canadian commercial real estate industry on matters of national concern, promotes excellence in the industry through information, education and recognition and, through BOMA international, provides recognized industry standards and research. BOMA Canada is comprised of over 2000 members, representing over 500 million square feet of office space in Canada. Members include building owners, developers, facilities managers, asset managers, leasing agents and brokers, investors and service providers.

Building Occupancy Charges (BOCs)

BOCs include payments by provincial ministries and government organizations for the rental and maintenance of buildings and office accommodation, including related operating costs (such as insurance, taxes and tenant improvements that do not meet the criteria for capitalization). These charges appear as operating expenses in the Province's Consolidated Revenue Fund.

Enterprise Risk Management

Enterprise risk management (ERM) is a structured and disciplined approach to managing risk in the achievement of organizational goals. ERM integrates the various risk management activities of the enterprise into a coherent framework, applied across the enterprise, at every level and unit, and includes taking an entity-wide view of all the risks affecting the enterprise (financial, strategic, operational and other risks). Risk management is a systematic approach to setting the best course of action under uncertainty by identifying, analyzing, evaluating, treating, monitoring and communicating risks.

Full Workplace Provisioning (FWP)

The integrated procurement, implementation and ongoing management of workplace components including: physical accommodation, furniture, equipment and environmental and telecommunication services (voice, data and network) that support customer program delivery.

Government Accommodation Restructuring Initiative (GARI)

BCBC was appointed by government to strategically manage the restructuring of ministry accommodation infrastructure arising from the Core Services Review and three-year budget process. In response, the Corporation acquired approval of central funding from Treasury Board to support the Government Accommodation Restructuring Initiative (GARI). GARI responsibilities included working closely with

ministries to ensure that appropriate accommodation solutions were identified and implemented to address their changing program requirements and budget targets. This also involved the integration of Service Delivery Project Cross Ministry Work Team outcomes with GARI project activity in various communities around the province.

High Performance (Green) Buildings

High performance (green) buildings are buildings or facilities that are designed to be environmentally sustainable. They offer superior economic, environmental and social benefits, including: lower operating costs (energy, water, maintenance), enhanced indoor work environments and efficient use of resources (energy, water, materials).

ISO 14001

ISO 14001 is an internationally recognized standard stating the requirements for an organization to develop and implement an Environmental Management System (EMS). It is intended to establish and assess the effectiveness of an organization's ability to develop and meet a defined policy and objectives related to the environmental impact of its business activities. Registration to the standard requires auditing by an independent third party.

LEED®

LEED® (www.cagbc.org and www.usgbc.org) is a suite of building rating systems administered by Canada Green Building Council and U.S. Green Building Council that is voluntary, consensus-based, market-driven, based on accepted energy and environmental principles. LEED provides a complete framework for assessing building performance and meeting sustainability goals. Based on well-founded scientific standards, LEED emphasizes state of the art strategies for: sustainable site development, water savings, energy efficiency, materials selection, and indoor environmental quality.

Service Level Agreement

A service level agreement is a formal written agreement between two parties: the service provider and the service recipient, which helps define the relationship between the parties. It generally includes a description of the type and level of services to be provided, as well as service performance standards/expectations.

Shared Services

Shared services is the sharing and leveraging of resources, people and information to reduce costs and improve service quality. It involves bringing together functions that are frequently duplicated across divisions, subsidiaries or operating units and offering these services more efficiently and at a lower cost, through a shared services centre.

Supply Management

Supply management is the process by which BCBC plans, engages and manages internal or external resources (suppliers) to deliver solutions/services to its customers.

Stewardship

The term "stewardship" encompasses the preservation and enhancement of the assets and resources that have been entrusted to BCBC.

Incorporation of BC Reporting Principles

Principle 1 – Public Purpose Served: BCBC's Vision, Mission and legislated mandate are explained in the Corporate Overview section of the report. It includes a description of the two core lines of business and the services provided (with a hyperlink provided to the Services Catalogue for a more detailed explanation of the specific services), and clearly identifies customers, stakeholders, and markets served. Information is also provided on service delivery, and supplier performance management. Corporate values are stated and are grouped by headings to show the alignment/consistency with public sector/ government values. The Corporate Governance section of the report explains the governance structure and key reporting accountabilities. BCBC's governance principles are included, with information on how they have been applied by the Board.

Principle 2 – Linking Goals and Results: Linkages between goals, objectives and performance measures and related strategies are consistent with the organization's mission and public purpose. The report explains the relevance of performance measures to the organization's goals and objectives. Through use of the Balanced Scorecard approach, performance measurement focuses on the full range of issues that concern the public and legislators, and measures include a mix of outputs and outcome measures. Results are reported for all strategies and measures, including an explanation of variance of actual results from plans/targets, any changes made to measure methodologies and targets, and future plans/direction. Future year targets (for 2005/06 to 2007/08) are provided for measures which continue to be tracked in the new 2005-08 Service Plan.

Principle 3 – Few Critical Aspects: The report states why goals, objectives and measures are important. Use of the Balanced Scorecard approach ensures a reasonable mix of measures, which cover all core business areas and issues that concern the public and legislators. The report contains the "few critical aspects of performance" that legislators and the public use to judge the organization's success. The number of measures has been reduced from 27 in 2003/04 to 22 in 2004/05. The report explains how the organization's performance is linked to government objectives/priorities and specific government direction to the Corporation (as set out in the Shareholder's Letter of Expectations).

Principle 4 – Risk and Capacity: The report describes key risks in the internal and external operating environment and the expected impact to the organization. The introduction to the Report on Performance section summarizes how risks have informed the development of the strategies against results reported, and a link is provided to the Planning Context section of the 2004-07 Service Plan. This Service Plan section presents an analysis of the internal and external environment in which the Corporation operates. Discussion of risk/capacity issues and actions taken/planned is incorporated into the discussion of performance results. An explicit discussion of the types of risk faced by the Corporation and how risk is managed (including a detailed explanation of how risks associated with the property management services contract with WSI is being managed) is provided in the Management Discussion and Analysis section. Information is also provided on the status of implementation of a corporate Enterprise Risk Management framework.

Principle 5 – Linking Resources, Strategies and Results: A discussion of financial performance is provided in the Management Discussion and Analysis section. This section explains key financial variances – what happened and why – and provides key financial trend information with a five-year summary of key financial and operational statistics. In addition, the report explains how current

revenues compare to past and forecast revenues, makes clear the sources of revenues, and includes a discussion of key factors and challenges affecting revenues and expenses. The Report on Performance section includes results against specific measures relating to financial performance and efficiency, including trend information and a discussion of variances from target/budget and planned strategies/actions to address performance.

Principle 6 – Comparative Information: Actual performance is reported in relation to the Service Plan. A summary performance scorecard provides performance ratings for each of the strategies and measures against the goals and objectives of the 2004-07 Service Plan. Baseline and trend information is provided for most performance measures (Note: This is not always possible as changes underway within the Corporation have required the creation of new and unique measures to track performance against specific plan objectives). Where available and relevant, the report includes benchmark information of other organizations in the same sector or industry, industry standards, or best practices. In some cases, where external benchmarking information is not available, results are internally benchmarked. The hyperlinked Methodology Report provides information on benchmarking sources (including benchmarking limitations) and identifies methodology changes and identified data limitations, and how these may affect year-over-year data comparability. Future performance targets have been provided for all those measures that continue to be tracked in the new 2005-08 Service Plan.

Principle 7 – Disclose Key Reporting Judgments: The hyperlinked Methodology Report identifies the sources of information (data sources/responsibilities), including a concise explanation of how measures are derived (purpose/rationale for choice of the measure and methodology for calculation). Baseline and target information is provided for each measure, as well as an explanation of how performance targets were selected and why the reader should have confidence in the reliability of the information. Changes in objectives, strategies, and performance measures and targets are documented in the Report on Performance section, and in the hyperlinked Methodology Report, which documents changes in measures and methodologies (both from the previous reporting period and changes related to the new 2005-08 Service Plan) and inadequacies/limitations of data and benchmarks. It explains the reasons for the changes and identifies impacts for year-over-year comparability of results and any data concerns/inconsistencies. The interpretation of results is reasonable, reporting both successes and shortcomings in a balanced way.

bcbc

Facilitating workplace solutions

British Columbia Buildings Corporation
2004-05 Annual Report

This entire report, in accordance with British Columbia Buildings Corporation environmental practices, is printed on paper that is elemental-chlorine free, acid free and is both recycled and recyclable.

Printed in British Columbia, Canada.